

# Current History

A WORLD AFFAIRS MONTHLY

NOVEMBER, 1977

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# Current History

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# Current History

NOVEMBER, 1977

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*How strong is the Eurocommunist movement in West Europe? How dependent is West Europe on OPEC oil? In this issue on the nations of West Europe, the changing political systems of specific nations are evaluated and the relationships between these nations and the United States are explored. As our first article points out: "... the United States cannot be expected to play a dominant role in the process of sociopolitical transformation in West Europe. Efforts to inject an American presence into the European debate would work against the long-term interests of the United States, which—ultimately—will be forced to come to terms with a new generation of political aspirants, a number of whom will probably be less internationalist and more left-wing than we should like."*

## The United States and West Europe

BY JOHN STARRELS

*Assistant Professor of Political Science, George Washington University*

UNITED States—European relations are experiencing a period of creative tension with the coming into power of a new administration in Washington. Jimmy Carter is President; a foreign policy agenda has been created; and an important element of that agenda is European policy.<sup>1</sup>

Despite campaign rhetoric, the Carter administration cannot dramatically change the basic direction and content of United States policy toward Europe, at least not immediately. Bureaucratic momentum, the perceptions of Western leaders and the realities of world politics—militate against that possibility. However, the need for creative change within the Atlantic Alliance should not be underemphasized: in its pursuit of bilateral accommodation with the Soviet Union the United States has for too long neglected West Europe; and the psychological interdependencies between the United States and Europe that grew out of the Marshall Plan are in need of rejuvenation. The growth in the importance of "low politics" (trade, finance, commercial policy) should not be allowed to weaken Alliance ties.

Thus American and European leaders must begin to

examine seriously the various assumptions that underlie the conduct of relations between the two continents. Too often, disagreement has arisen among the Western allies because their mutual responsibilities have been sloppily defined. To choose two significant examples: West Europe cannot be expected to adopt a dynamic policy toward the Middle East because West Europeans are dependent on Middle East oil; for the United States to admonish European countries for an absence of courage, evenhandedness and farsightedness in their dealings with the respective Middle East Nations is unfair and unrealistic. Alternatively, the United States cannot be expected to play a dominant role in the process of sociopolitical transformation in West Europe. Efforts to inject an American presence into the European debate would work against the long-term interests of the United States, which—ultimately—will be forced to come to terms with a new generation of political aspirants, a number of whom will probably be less internationalist and more left-wing than we should like.

It is also important for the United States and its European allies to recognize the realities of a new age. The old assumptions about the Atlantic Alliance no longer hold. The United States is no longer pledged—as a Pavlovian requirement—to premise every discussion on the future of East-West relations by reaffirming

<sup>1</sup>For a sampling of problems relevant to an understanding of American-European relations, consult Wolfram F. Hanrieder, ed., *The United States and Western Europe* (Cambridge, Mass: Winthrop Publishers, 1974).

its support for German reunification. Spain is on the verge of becoming a major European presence. France has begun to challenge the assumptions of the "Gaulist synthesis." The United Kingdom and Italy have become the "poor persons" of Europe. There is no longer any question that economic revitalization in the West is fatefully dependent upon the effective resolution of three broad sets of external relationships; a "rationalization" of the oil dialogue with the Organization of Petroleum Exporting Countries (OPEC), a common OPEC-Western program to help the emerging countries pay their oil debts, and an American-European conception of economic and technological cooperation with East Europe and the Soviet Union.

Finally, a healthy United States-European relationship involves a serious effort to move beyond mindless stereotypes about the capabilities of the other party, and the "real," versus the non-real, opportunities for collaboration over the next several decades. The political-economic dimension of the Alliance will undoubtedly prove to be the decisive point of confrontation for the United States and Europe.<sup>2</sup>

### THE "NEW" POLITICAL ECONOMY

The political economy of American-European relations involves a staggering number of subjects, an imposing number of questions, and a growing list of problems which must be seriously addressed.

First, the global recession of 1974-1975 is not over. In West Europe and the United States, the levels of inflation and unemployment are extraordinarily high. With the apparent exception of the United States, projected levels of growth are not being met. Although each national economy reflects various mixes of disability and potential, there can no longer be a serious argument with the proposition that supranational forms of economic monitoring and control are necessary. The question at this juncture is not whether such policy instruments—or bundles—should be created, but on how the separate national positions of individual Western societies can be merged within one operational framework. Part of the answer is supplied by the increasing number of summit conferences which, at the least, push Western leaders together, forcing them to define their own problems and to come to terms—psychologically—with the limits and possibilities of

\*OECD = Organization for Economic Cooperation and Development

BIS = Bank for International Settlements

IMF = International Monetary Fund

<sup>2</sup>For a fine introduction to this subject, see *Political Economy: Europe and the United States, Journal of International Affairs*, vol. 30, no. 1 (Spring-Summer, 1976).

<sup>3</sup>See Geoffrey Barraclough, "The World Economic Struggle," *The New York Review of Books*, vol. 22, no. 13 (August 7, 1975), pp. 23-30.

<sup>4</sup>Consult Anthony Sampson, *The Arms Bazaar* (New York: The Viking Press, 1977), for an informed analysis.

interdependence. Further, regular meetings of the OECD, BIS and IMF can go a long way toward establishing a Western framework for the articulation of common economic problems.\*

Nonetheless, a viable policy of intergovernmental cooperation between the United States and Europe will not magically evolve. Meetings and bold prognoses are not substitutes for careful assessments by national leaders and bureaucrats of their economic prospects in both the short and long term and how those prospects relate to the fortunes of the Western economic system.<sup>3</sup>

Second, the "internationalization" of economic and political affairs—a blurring of the always tenuous distinction between these two activities—has transformed the relationship between the United States and West Europe. An agenda for future cooperation must reflect that blurring. Few areas of international finance, commerce or economics exclude the calculations and fortunes of third parties. One has only to remember the recycling of OPEC money into Western banks and the understandable decision of financial leaders to lend these resources to the credit-hungry states of East Europe. Obviously, the fate of the European currency market and, in an important and indirect sense, the fate of national leaders as well, cannot be left to the activities of the international money market. Somehow, a multilateral approach to the monitoring and control of these transactions must be created; the relationship between public and private power demands to be clarified.

Third, the political economy of United States-European relations must include more effective efforts to control the specific activities of two allegedly private institutions: arms manufacturers and private bankers (of the two, the trafficking of arms [sales of \$300 billion in 1975] is far and away the most dangerous activity).<sup>4</sup> There has been little serious or sustained effort by members of the Atlantic Alliance to control the activities of their respective arms suppliers. This problem is in large degree the monopoly of the United States, which controls 50 percent of all arms sales to the nations of the developing world in Latin America, Asia, Africa, and the Middle East. Like their French and British counterparts, private arms merchants in the United States justify such business activity in terms of the proverbial, "if we don't sell them, someone else will." Whether it is "good" or "bad" in the abstract to subsidize small wars between countries who can least afford to wage them, there is the question of how the West would act if local conflicts, waged with European or American arms, got out of control and threatened the fortunes of entire geographic regions.

Private banking operations undertaken by European and American affiliates (the latter can be operating in the United States or in Europe as a branch of an American parent) do not—yet—evoke the same kinds of

existential concerns as do private arms sales. But the spectre of massive defaults on the part of developing nations or the one-party socialist systems of East Europe, nonetheless, raise the question of how national governments should act in the event that private-sector commercial activities endanger the fortunes of individual depositors. If a country in East Europe or the fourth world defaults (say Zaire or Poland), what becomes of the lent-out savings of individual depositors; in a more profound sense, if a wave of defaults occurs, what is the impact on Western financial stability?<sup>5</sup> At this point, existing multilateral organizations, like the OECD, must try more effectively to monitor the activities of private banks. And in a larger frame of policy reference, the chief debtor countries should be assisted in their efforts to reduce their public and private indebtedness to the industrial West. (Including the loans made by Japan and Canada, East European [which includes the Soviet Union] and developing world indebtedness now totals \$220 billion.) United States Treasury Secretary Michael Blumenthal has been unable to stimulate the richer members of the international community to increase their purchases of goods from debtor countries, one way in which creditor nations could help guarantee the repayment of their loans.

A final, and terribly complex, problem involves the United States versus the European (and Japanese) position on nuclear technology. Indeed, the most recent important disagreement between the United States and the Federal Republic of Germany concerns the sale of nuclear enrichment facilities to Brazil by Bonn. And while such arguments directly relate to specific issues of energy and technology transfer, they also relate to long-term economic disagreements that currently divide the United States, with its relative plentitude of natural resources, from its European partners, who—with some notable exceptions, namely Great Britain and the

Netherlands—are energy poor. In the absence of energy sources, the economic success that has characterized the evolution of West Europe in the postwar period will certainly come to a halt. This spectre of American-European disagreement is related to the growing possibility that the Soviet Union will become an increasingly important source of oil imports for West Europe. By 1976, our continental allies were importing 1.6 million barrels of oil daily from the Soviet Union. Unless and until the United States is able to reconcile its own positions on energy, and especially the transport of nuclear technology, with long-term European resource vulnerability, energy could become the issue on which the Atlantic Alliance falters, as it did temporarily in late 1973 on the occasion of the Arab oil embargo.

### EAST-WEST DYNAMICS

The West European response to the United States position on human rights and liberties in East Europe and the Soviet Union is extraordinarily complex and contradictory. On the one side, the public outcry against the new American stand, especially on the parts of French President Valéry Giscard d'Estaing and West German Chancellor Helmut Schmidt, is based on the fear—undoubtedly genuine—that the fruits of détente will be endangered by what is perceived to be a provocative stand by a United States administration with little experience in foreign affairs.<sup>6</sup> In the same context, both Schmidt and his French colleague believe that President Carter's position suffers from a lack of sophistication in dealing with authoritarian regimes. Neither leader is naive enough to believe that the entire United States foreign policy bureaucracy is unschooled in the art of dealing with authoritarian systems. Yet the dramatic rise of Jimmy Carter has led Europeans to suspect that the American stand is a throwback to old-line nationalism, which often played an important part in the framing of United States foreign policy during this century.

On the other hand, however, West European leaders are not in the best possible position to criticize the new administration. The United States engagement in Vietnam is over; the new administration is making strong public overtures to the emerging democratic systems of Spain and Portugal. And in a break with the past, Washington is honoring West European desires for increased interaction with the “other” half of the continent by abandoning what one unsympathetic observer has labeled the “Brezhfeldt” doctrine.\* Washington, once again, has a “Europapolitik.”<sup>7</sup>

Why, then, are some of our more important allies disturbed about the Carter position on East-West issues? First, many European leaders believe that the Carter administration has recklessly discarded opportunities for peaceful collaboration with the Soviet Union, a view also held by Moscow. Continental

\*For comment on the “Sonnenfeldt doctrine” see Helmut Sonnenfeldt, “Implications for Soviet-American Relations,” in Alexander Dallin, ed., *The Twenty-fifth Congress of the CPSU* (Stanford, Calif.: Hoover Institution, 1977), pp. 100ff.

<sup>5</sup>See Emma Rothschild's remarks on this potential, “Why the Banks Should Be Scared,” *The New York Review of Books*, vol. 23, no. 9 (May 27, 1976), pp. 16-22. Also refer to *IMF Survey-Supplement on International Lending* for a discussion of the developing nations' and Communist Europe's debt to the West.

<sup>6</sup>Commercial interest unfortunately has resulted in a distortion of what Valéry Giscard d'Estaing actually said in a recent *Newsweek* interview. The implication carried in most newspapers was that the French President was explicitly taking President Carter to task—this is but one of several important undertones contained in that interview. See “Giscard Speaks Out,” *Newsweek* (July 25, 1977), pp. 45-48.

<sup>7</sup>For a broad gauge approach to the subject of American-European relations, vis-à-vis Eurocommunism, East-West dynamics, and the pursuit of a “Europapolitik,” see Robert J. Lieber, “The Pendulum Swings to Europe,” *Foreign Policy*, no. 26 (Spring, 1977), pp. 43-56.

governments maintain their interest in the expansion of Western democratic values to the semi-closed systems of East Europe; but the Carter position has evoked fears about the future direction of American foreign policy vis-à-vis the Soviet Union. Many allied leaders believe that the new United States posture may dramatically weaken the prospects of broad-gauge economic collaboration between the two blocs and some form of a quid pro quo in which West Europe could supply East Europe (including the Soviet Union) with advanced technology, while East Europe, in turn, could help the capitalist economies of West Europe gain access to raw materials (especially oil and natural gas).

Second, there is a suspicion in West Europe that a United States policy of confrontation toward Communist Europe can easily be reversed by the Communists to exploit major areas of Western vulnerability. For example, the Quadripartite Agreements on Berlin have not prevented either the Soviet Union or the German Democratic Republic from continuing challenges to Western rights in their part of the city. If the Carter administration continues to engage in strong rhetoric directed toward the Soviet Union and East Europe, West European leaders believe that a general stiffening of tensions between the two blocs in European and world politics may follow. Who benefits from such a development, our allies ask.

Third, French and West German objections to the Carter policy on human rights cannot be isolated from the general spectre of Alliance inequality. Bonn and Paris do not object to the Carter policy of confrontation with the Soviet Union simply on its merits; their objections reflect a general European anxiety that the United States is not sufficiently sensitive to feelings of European dependence and vulnerability within the framework of the Atlantic Alliance.

Finally, the entire structure of European politics is undergoing dramatic change. Domestic unrest, emanating from a decline in economic viability and social consensus, are increasingly influencing the foreign policy postures of European leaders. For the United States, the domestic problems facing continental regimes play a role in the general European evaluation of the new United States initiatives toward East Europe and the Soviet Union. A general sense of confusion and anxiety in West Europe toward the United States conception of confrontation with Communist Europe flows as much out of a general sense of Western malaise as it does from a basic disagreement with the goals of United States foreign policy.

The American attitude toward Eurocommunism has undergone a period of change. The administrations of Presidents Richard Nixon and Gerald Ford publicly

<sup>8</sup>But the argument is still a heated one. See the Soviet position in the immediate aftermath of Carrillo's critique of the U.S.S.R., "Contrary to the Interests of Peace and Socialism in Europe," *New Times* (June, 1977), pp. 9-13.

warned our European allies, principally Italy, of the fateful implications for the Atlantic Alliance in the event of a Communist takeover. Thus, Secretary of State Henry Kissinger devoted a great deal of effort to attempt to influence the evolution of domestic European politics by sounding a warning about the American response in the event of a Italian Communist victory.

The Carter administration has taken a slightly different approach. On the one hand, no one in the present government wants to see the Italian Communists or the Socialist-Communist coalition in France attain undisputed national power. On the other hand, the Carter administration realizes that international "jawboning" is counterproductive. United States intervention, covert or overt, would reinforce levels of anti-Americanism that have always played a part in the American-European relationship. Thus the Carter administration has attempted to take a calmer view of Communist gains in Italy and in France. When the United States has taken a stand on the subject, the policy has been to provide forums in the United States for leaders who have the approval of American policymakers. Witness the recent visit of Italian Premier Giulio Andreotti to Washington.

In a larger framework, the Carter administration is increasingly inclined to view Eurocommunism within the context of general economic conditions in West Europe. When the United States can bolster the fortunes of an existing regime, as in Portugal, Spain, and Italy (via the medium of multilateral assistance, principally the International Monetary Fund), Washington has chosen to do so. And in contrast with an earlier embrace of unilateralism the United States has chosen to act in concert with its relatively stable European allies, principally the Federal Republic, in attempting to shore up regimes that are experiencing economic dislocation and sociopolitical transformation.

Two other considerations have influenced the current American position toward Eurocommunism. First, just as the break with mainland China had a dramatic impact on United States perceptions of international communism in Asia, so the public argumentation between West European Marxist leaders and their Soviet colleagues influenced United States attitudes toward Eurocommunism. Current polemics between Santiago Carrillo, the Spanish Communist leader, and his Soviet party colleagues will undoubtedly disappear if the non-ruling party takes office.<sup>8</sup> The same con-

(Continued on page 181)

**John Starrels** is the coauthor, with Anita Mallinckrodt, of *Politics in the German Democratic Republic* (New York: Praeger, 1975), and has published articles in numerous periodicals. In 1970, he held an internship in the West Berlin City Government, and in 1976-1977 he held a travel and research grant awarded by the German Academic Exchange Service.

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*"France, it would seem, is sliding into a new era of continuing elections."*

# Political Uncertainty in France

BY EDWARD WHITING FOX

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and

JAMES O. SAFFORD III

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**I**N mid-1977, France is engaged in one of the longest election campaigns in her history and certainly the most critical since Charles de Gaulle and his Fifth Republic were swept into power in 1958. The campaign began with the presidential contest of 1974, which placed Valéry Giscard d'Estaing in the Elysée, and has continued through departmental and municipal elections. It is now heating up again in anticipation of the election of the National Assembly scheduled for March, 1978.

Several factors explain the remarkable length and intensity of this confrontation, but its central cause is the growing strength and coherence of the political Left, which finally seems ready to dislodge the Gaullists from power with all the incalculable consequences inherent in such a transition. The resurgence of the Left dates from 1972, when Socialists, Communists, and a few left-wing Radicals drafted a Common Program that was at once a five-year political alliance and a blueprint for a more egalitarian France. This platform was first tested in the presidential election of 1974, when its chief architect, the Socialist leader François Mitterrand, nearly defeated Giscard, thus demonstrating that the united Left had reached virtual electoral parity with the Right. Since 1974, moreover, France's economic woes, Giscard's surprising weakness and political ineptitude, divisions in the majority, and Mitterrand's extremely deft handling of his potentially volatile coalition have resulted in a slow but unmistakable leftward slide in the French electorate.

The slide became apparent in 1976, when the Left gained over 56 percent of the vote in regional elections to departmental councils. Then, in March, 1977, the Left won an even more stunning victory in nationwide municipal elections. As a result, the Common Front won 70 percent of France's city halls when government candidates lost control of over 50 of the country's largest cities; and several Cabinet ministers were beaten in

this greatest defeat for a governing coalition since 1956. Polls taken in late spring even showed the opposition Common Front with as much as a 10 percent lead over the old "majority"; this gap has subsequently narrowed slightly but still seems clear-cut, despite a shaping of the electoral districts that requires the Left to win more than 51 percent of the vote in order to win a majority of the seats in the Assembly. More and more Frenchmen seem less and less frightened of the Left, and, in the words of *Le Monde*'s editor Jacques Fauvet, "The victory of the Left [in the municipal elections] is geographically and socially too extensive to express anything other than a profound desire for change."<sup>1</sup>

Despite this unexpected success, or indeed because of it, the leaders of the Left, Mitterrand, the Communist party boss Georges Marchais, and the Radical Robert Fabre, will need all their political acumen in the days ahead. The greatest victors of recent months have been the Socialists. Mitterrand has taken a nearly moribund party and in several years has transformed it into the largest party in France, controlling as much as 30 percent of the electorate. Nevertheless, the *Parti Socialiste* is less a political party of hard-core militants than a heterogeneous group of more or less kindred spirits—a coalition within a coalition. This heterogeneity is a source of both strength and weakness.

## A HETEROGENEOUS COALITION

Although the Common Program provides for the nationalization of most large industries remaining in private hands, it is clear that a totally collectivized society is not the Socialists' ultimate goal. For one thing, economists—even of the Left—have noted the fact that the better run private firms usually out-perform their nationalized competitors. Actually, the issue has become symbolic, with the Left claiming the right to control the country's economic future and the Right insisting on the sanctity of private property.

Mitterrand must also deal with a considerable

<sup>1</sup>*Le Monde*, March 22, 1977.

amount of dissent within his party, particularly from its left-wing members who call themselves the *Centre d'Etudes et Recherches d'Education Socialistes*—CERES for short. Headed by Jean-Pierre Chevenement, CERES is pushing Mitterrand to render the Common Program more Marxist in tone and, especially, to increase the number of businesses to be nationalized. Mitterrand, determined to retain maneuvering room, has not succumbed to this pressure, and the Socialist Party Congress held at Nantes in June, 1977, showed clearly that Mitterrand is still in full command. Although gentle with the CERES leaders, most of whom he obviously likes and who have supported him loyally in the last several years, he easily deflected their proposals, which received the support of no more than a quarter of the delegates.

Recently, Mitterrand has also had his difficulties with his most important allies, the Communists. That party and its leader, Georges Marchais, are sensitive to the fact that much of the gain in Socialist strength has been at Communist expense (the Communist vote is now estimated at about 18 percent—the lowest since World War II) and that Mitterrand is becoming widely accepted as the spokesman for the entire Left. Although Marchais knows that the *Parti Communiste* can gain a share of power only if the Common Front holds, he is naturally unwilling to tolerate total effacement and has hardened his rhetoric in recent months. In particular, the Communists have been agitating for an updating ("actualisation") of the Common Program, which is now due for renewal.

Mitterrand, however, has resisted the charge that the program is too vague in critical areas. Consequently, sharp words have passed between the leaders of the two parties. Obviously, the Communists are driving home the point that in spite of their losses their support is still essential for a victory of the Left in the legislative elections. At the same time, Mitterrand knows that open Communist desertion of the Common Front would hurt the Communist party more than it would hurt the Left even if it did lose the election. Mitterrand and Marchais are playing a very tough game of poker.

To this end, Marchais has dropped the traditional slogan, "dictatorship of the proletariat," from his vocabulary. He has replaced it with "Socialism under the French colors" and taken several rhetorical steps in the direction of Eurocommunism and an increased independence from the Soviet Union; but so far his efforts have notably failed to persuade the public that he is really prepared to risk a serious breach with Moscow. If increasing numbers of Frenchmen will gladly vote Socialist, their fear of the Communists remains deep-rooted. Nevertheless, Marchais must have been encouraged by the results of the municipal elections in March, when the tense period between the first and second round balloting was negotiated smoothly. Most Socialist voters seemed willing to observe coalition

discipline and deliver their votes to Communist candidates in the second round—even in areas where Communists had not previously held municipal positions. Admittedly, the parliamentary elections in March, 1978, will be a more severe test; nevertheless, it is likely that Mitterrand will again succeed in channeling enough Socialist votes to his Communist partners to elect a Common Front majority in the Assembly and thereby lay claim to the Hotel Matignon, official residence of the Premier.

### GISCARD'S DIFFICULTIES

Thus, although serious difficulties may arise later, the coalition of the Left seems in good shape for the next round. The same cannot be said for the majority. Valéry Giscard d'Estaing was only barely elected to the presidency in 1974; a mere percentage point separated him from Mitterrand. In addition, Giscard was viewed as an outsider and upstart by the Gaullist "barons," who would have preferred their fellow Gaullist Jacques Chaban-Delmas as a candidate. In the confusion following President Georges Pompidou's sudden demise, Giscard—with the deft aid of an extremely able and ambitious young Gaullist, Jacques Chirac—was able to elude a move to impose a single candidate on the "majority." Thus freed to run as an independent on the first ballot, he came in second to Mitterrand and well ahead of Chaban, thus establishing himself as the candidate of the Right in the runoff. In return for his support, Giscard made Chirac his Premier and Chirac responded by staging a coup in the Gaullist organization. With control of the party, Chirac was in a position to challenge the President. Given the ambiguities of the constitution of the Fifth Republic and Giscard's refusal to follow the traditional Gaullist line, the two were soon at odds.

In what he insists is an effort to liberalize and modernize France, Giscard has trampled left and right on Gaullist sensibilities with the passage of such measures as a new divorce law, the legalization of contraception and abortion and the lowering of the voting age to 18. He even had the audacity to suggest a new capital gains tax, but the outcry over this was so loud that the measure was shelved. The French President was also far too receptive to the concept of Europe for most Gaullists. While Chirac continued to perform his role as head of the government, he became increasingly disaffected as Giscard ignored his warning to avoid alienating his true base of support in favor of a liberal center that did not really exist.

Giscard's aristocratic populism and his talk of an "advanced liberal society"—several of his reforms were also listed in the Left's Common Program—irritated the old guard Gaullists; but the economic crisis broke the majority apart. It was Giscard's misfortune to attain the presidency just as the oil crisis ended the era of post-

war European industrial growth. As the price of oil skyrocketed, inflation rose well into double digits, unemployment increased, the franc slid, and France's balance of payments deficit reached alarming proportions. In the face of this concatenation of calamities, Giscard appeared weak and indecisive, even lethargic. There are obviously no easy answers to what is now a global economic slump, but Giscard and his lieutenants have seemed unwilling or unable to offer any program intended to get below the surface of the problem.

Even though Chirac produced no more constructive solutions to the country's economic woes than anyone else, he nevertheless decided, in August, 1976, that the time was ripe for a break with Giscard. Citing a lack of opportunity for personal influence over policy, he resigned as Premier, and the battle lines within the majority were quickly drawn.

To replace Chirac, Giscard chose a quiet, apolitical economist named Raymond Barre, with instructions to heal the economy. The *Plan Barre*, which was passed by the National Assembly in September with the less than enthusiastic support of the Gaullists, was an austerity program designed to stabilize the franc, reduce the foreign trade deficit, and slow the inflation. It has met with only moderate success. The franc steadied quickly and the foreign trade situation improved gradually, but inflation continues to hover at around 10 percent—considerably higher than Barre's target—and unemployment remains unacceptably high. Moreover, the price of austerity has been a drastic slowing of industrial growth with a corresponding drop in consumption, provoking a violent reaction from business management. Even more disgruntled are the workers, whose salaries have been virtually frozen while food, clothing, and housing have become ever more expensive. Nor is the situation eased by the fact that France continues to enjoy the most unequal distribution of income in West Europe.

The Barre Plan has thus been inundated with criticism. Given the proximity of elections, the labor unions are taking care not to precipitate another May, 1968, which might again drive a critical proportion of the electorate to the right. Nevertheless, they have attacked Barre's policy with vigor. Moreover, on May 24, the major unions staged an extensive one-day general strike that was at once a protest against the government's austerity measures, an anticipatory celebration of the coming victory of the Left, and a notice that with victory they will expect immediate results. Despite these pressures, however, Barre seems determined to persevere, announcing that he will stake the survival of his government on the eventual success of the program, a prospect that seems elusive at best.

Attacks on the government's economic policy were to be expected from the Left, but the harsh criticism from within the majority—orchestrated, for the most part, by Chirac—has made Barre's situation all but unten-

able. When Chirac left the government, he moved quickly to put distance between the Gaullists and Giscard. He changed the name of his party to the *Rassemblement pour la République* (RPR), obviously intended to recall de Gaulle's *Rassemblement de Peuple Français* (RFP) of the Fourth Republic. The parallel has been extended at several carefully staged mass rallies, where Chirac has attacked Barre's economic policy with the charge that it is hindering French growth. Even beyond this, however, Chirac denounces the major danger on the Left. A Common Front victory in 1978, Chirac warns, will mean chaos and the end of the Fifth Republic because the system will not support a left-wing government and a President of the Right. If Giscard attempts to finish his seven-year term in 1981, Chirac predicts a constitutional crisis, or worse. The only way to preserve the Republic, he insists, is to attack the Left directly, as Giscard has refused to do, and to frighten the loyal French back into the reassuring arms of the descendants of de Gaulle.

#### CHIRAC'S POSITION

Chirac first threw the gauntlet down to both the Left and Giscard by announcing his candidacy for the newly revived office of Mayor of Paris. Running against leftists and against Giscard's hand-picked candidate, Michel d'Ornano, Chirac won with ease, using the campaign to attack the Left and air his differences with Giscard. With the functionaries, the funds, and the prestige of the new office, Chirac is a political figure in his own right, in a position to receive Soviet President Leonid Brezhnev during his visit to Paris in June. Needless to say, the gesture was not lost on Giscard, or anyone else.

Although Chirac may yet decide to paper over his differences with Giscard before the elections, so far he has missed no chance to discredit the occupant of the Elysée. In addition to his personal attacks on Giscard's failure to lead and on Barre's economic policy, he mounted an acrimonious debate in the National Assembly in June over French support for the direct election of delegates to the European parliament. The measure eventually passed, with the grudging votes of the RPR, but not before Michel Debré and others had warned—in tones that would have done Charles de Gaulle proud—that it would lead to the progressive erosion of French sovereignty. Not since the advent of the Fifth Republic has the governing majority been in such disarray.

In the face of this rebellion, what assessment can be made of Giscard's position and performance? To date, he has signally failed to translate his hopes for the peaceful, gradual evolution of France into an "advanced liberal society." Most observers are at a loss for a satisfactory explanation of this failure, even though the economic problems that beset France, not to mention the rest of Europe and the industrial West, defy easy solution. The lethargy with which Giscard has refused to

descend into the political arena and his reliance on the apolitical Barre have not helped to reinforce his position.

Even before the defection of his majority, Giscard was suspected of casting wistful glances in the direction of the old Center, hoping to combine his Independents (recently renamed the *Parti Républicain*) with conservative (and anti-Communist) Socialists. With such a combination, he might hope to remain in the Elysée, even if the Left wins next March. But even if he is prepared to live with Mitterrand as the price of dispensing with the Gaullists and Communists, there is little reason to think that the Socialists are prepared to lend themselves to such a proposal. Instead, they seem determined to maintain Common Program discipline even if the discipline means supporting Communists in second round balloting, because they see this support as the price of victory over both Gaullists and Communists. Thus isolated, Giscard is a pathetic figure who, in the words of one West European diplomat, "can't talk to the leader of the majority . . . [or] . . . to the leader of the minority. [No other] statesman in the whole world [has] got himself in such a position."<sup>2</sup>

If the Left should win the March election, the constitutional situation will be confused. Even if Chirac's dire predictions of a major crisis prove exaggerated, Giscard's position will be precarious. The obvious solution would be for him to choose Mitterrand as Premier, and Mitterrand has already stated that in spite of inevitable difficulties, he will do his best to cooperate with the President. Further, since the constitution provides Giscard with no veto over legislation, he will be hard-pressed to play more than an umpire's role, even though he finds Mitterrand's legislative program dangerous. The Communist leader, Marchais, has bluntly warned Giscard that he will have to "resign or submit." Even if the Left fails to win in March, Giscard would be little better off, since Chirac and the RPR would be so strengthened that they would have him at their mercy. In the meantime, Giscard reiterates at every opportunity that he intends to remain in the Elysée until 1981.

Mitterrand, too, will have his problems if he becomes the leader of the new parliamentary majority and Premier. While he has built his whole election strategy on loyal cooperation with the Communists and is pledged to give them a number of Cabinet positions in any government he forms, full collaboration with the Communists will be a most exacting test. It would be dangerous for Mitterrand to break the Common Front without extreme provocation, and even if he gathered moderate support in such a crisis, he would seriously risk losing the working class votes he has attracted to the Socialist ranks. Even if there is an eventual realignment

<sup>2</sup>Quoted by Flora Lewis, *The New York Times*, June 30, 1977.

of party groupings to form a new center majority, it seems unlikely that Mitterrand could form or lead it.

Moreover, Mitterrand's very success in revitalizing the Left carries with it a stiff price. With each electoral gain, the workers' expectations have risen; so with victory, they will expect decisive reforms at once. Yet the economic problems that paralyze Barre and Giscard will be even more complicated by the time Mitterrand takes power. Obviously aware of this hazard, he is resisting the attempts of the Communists and his own CERES to make the Common Program any more radical or more precise. He is also taking every opportunity to urge caution and patience upon his constituents, warning that it will take two or three years before all austerity measures can be lifted and that unemployment will not disappear overnight.

But the general strike of May 24 was a clear warning that the unions are not prepared to wait, and that with Communist orchestration serious labor agitation might confront Mitterrand within six months of the election. If the workers rally to the Communists rather than to the Socialists in such a crisis, Mitterrand and the country might be in serious trouble. Mitterrand would need all his formidable political talents, resiliency and courage, especially if, as many suspect, the new Communist attachment to democratic procedure and coalition politics has its limits. What would happen in such a showdown is impossible to predict, but the anti-Communist determination of half the population should not be discounted. Most important, however, is a widespread and profound desire to avoid violence.

#### FOREIGN POLICY

It is interesting to speculate on the effects of a left-wing victory on French foreign policy. Giscard purports to believe in the concept of Europe, backing the European parliament proposal in the face of sharp criticism from the RPR. Nevertheless, in the broadest sense, his conduct of foreign policy has not deviated greatly from the Gaullist line. To emphasize his orthodoxy, Giscard has been lacing his public statements with assurances that France will continue on her independent path; apparently to dramatize the point, he arrived late for a meeting of European leaders in London last June. France also continues to pour money

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*"The British political system has shown a remarkable capacity to absorb conflicts rather than to solve them; tensions, however great, seem to stop short of creating basic new cleavage patterns or (except for Northern Ireland) inciting actual violence."*

## British Politics in 1977

BY ARTHUR CYR

*Program Director, The Chicago Council on Foreign Relations*

**F**OR most of the period since World War II, Great Britain has been recognized, both outside and inside the nation, as being in decline. In the nineteenth century, Britain literally dominated the world, with an empire larger than those of other imperial powers, a naval capacity that dwarfed others and gave the nation a pivotal influence, and an economy that was preeminent in terms of wealth and innovative capacity.

As recently as the late 1930's, just before the trauma and strain of World War II, Britain was the wealthiest nation in the world. By this time, however, her position had already been seriously challenged. Other industrial nations, especially the United States and Germany, were growing stronger. More abstractly, the British were uncertain in the face of German military and diplomatic assertiveness. But for the most part, Britain's power was not doubted, and so her postwar decline was both striking and generally unexpected.

### PUBLIC POLICY

Since the end of World War II, economic matters—slow growth, high unemployment, steep inflation—have dominated political debate in Britain. Her dependence on international loans and her apparent inability to find an appropriate public policy mechanism for building economic health have overshadowed other political issues. In this sense, there has been a lack of diversity in political debate and policy focus.

Indeed, economic problems are so pressing that other issues are overshadowed by them. Defense policy, the decision on membership in the European Economic Community (Common Market), regional separatism in Britain and industrial strife all illustrate this point. The effort to maintain an independent defense capability on both the nuclear and conventional levels fell afoul of Britain's incapacity to finance national ambitions. In a series of defense reviews, there has been a gradual but steady withdrawal from various military outposts around the globe and a constriction of military force sizes. The culmination of this effort occurred in the past two years, when still another government study resulted in a decision to cut back drastically on total

numbers and to concentrate remaining British forces in Europe.

On the nuclear level, British handicaps were demonstrated more dramatically. After the abandonment (in the 1950's) of the Blue Streak missile, which was obsolete even before it was fully developed, the British turned to the Skybolt missile to continue the life of the national nuclear deterrent. The Skybolt had been developed by the United States and this meant, in effect, that Britain's central weapon would be the creature of another nation, dependent rather than independent. This point was brought home when Washington decided to cancel the production of the Skybolt in 1962. An Anglo-American deal to substitute Polaris missiles and submarines came only after a serious crisis between the two allies, which served to underline British weakness.

Similarly, the debate over Britain's entry into the European Economic Community was couched strongly in economic terms. Britain's traditional aversion to close institutional cooperation with continental Europe was the principal factor behind her reluctance to join with the original six nations when the Treaty of Rome was signed in the late 1950's. There was a change in sentiment when strong economic pressures dictated the value of being within rather than outside the European customs and tariff wall. Not surprisingly, the intensive national debate over membership consistently featured economic considerations and the degree to which there would, on balance, be benefits or costs to participation. The political integration that was a goal of many of the initiators of the community is generally opposed in Britain, but this dimension has been overshadowed by the British concentration on economic concerns.

Britain's two major regions, Scotland and Wales, have provided another controversial political issue, where once again significant political considerations have been overcome by economic ones. The populations of these regions have strong separate identities. A general sense of distance between the center and the periphery has been a continuing source of political tension; nonetheless, a dominant theme of the separatists in both regions has been that the London central

government has neglected their economic needs. Likewise, the national government has gone to great lengths to provide special aid to these regions. The fact that particular assistance programs have been altered so much—from direct subsidies under Labour, to tax credits for investment under the Conservatives, to still other approaches—testifies to government preoccupation with these areas.

For the same reasons, the possibility of a dramatic turnaround in Britain's—and especially Scotland's—economic prospects as a result of the discovery and development of North Sea oil and natural gas has resulted in considerably heightened expectations of dramatic improvement. Because of economic weakness, any possibility of improvement is highlighted. There is considerable debate over whether or not North Sea resources will have a great positive impact or will simply mortgage the future by avoiding drastic cuts in public expenditure. There can be no doubt, however, that unique attention is generated by this sort of issue.

Yet another public policy issue, again under the economic rubric but separate from other issues, is raised by trade union problems and tensions with management. While all Western nations struggle with the challenge of labor-management relations, the situation is especially difficult and disorganized in Britain. The negotiating process between the two camps is not clearly regulated. In fact, Britain is distinctive among industrial societies in the degree to which labor-management relations are not defined and supervised by public authorities. Several major efforts to legislate clearcut and enforceable procedures have failed. While Britain has not consistently led the industrial nations in the number of days lost annually to strikes, there has been a very large total number of strikes in Britain—reflecting the high proportion of plant-level wildcat strikes, often organized by particular shop stewards without sanction by national union organizations. In fact, national union headquarters have often not been informed of these encounters.

### POLITICAL COMPETITION

If there is a certain monotony to political debate in Britain, thanks to the dominance of economic concerns, there has been a growing diversity in the forms and mechanisms of political competition. It is inevitably both a simplification and an exaggeration to describe Britain's government as a stable two-party system. There have been profound shifts and changes in party alignments in that country—the rise of Labour in this century, the recombination of elements within and without the Whig party to produce the Liberals in the last. Nevertheless, the system is one in which there has been a clear tendency toward two dominant parties, with comparatively little maneuver room for third forces.

This has been especially true since World War II, when the Conservative and Labour parties dominated electoral and political debate. During the 1940's and 1950's, these two parties garnered over 90 percent of the vote in general elections and most popular support as measured in public opinion polls. Whether or not Britain was traditionally governed by a two-party system, the two-party system clearly dominated in the years after World War II.

But there was a shift in the political system in the 1960's and, especially, in the early 1970's. Opinion polls began to measure far greater volatility in the degree of popular support for the two major parties; statistical indices showed clearly that the voters were less willing to support one or the other of the two main parties consistently. There were increasing gyrations in sympathy for both Tory and Labour, implying that traditional political ties were not consistently strong. Voters were more willing than they had been to shift back and forth between the two parties. They were also more inclined to enter the "don't know" column when asked which of the two main parties they supported. Finally, there was increasing interest in other political parties, notably the Scottish and Welsh nationalists and the Liberals.

If third-party traditions were historically not strongly established in British politics, more recent years have witnessed a very strong growth in popular support for the smaller parties. The Liberals made a notable impact on British public and political life in the early 1960's under the leadership of Jo Grimond. An upset Liberal victory in the constituency of Orpington in 1962 led to considerable speculation that the party would come to dominate growing new suburban areas. Although these predictions went unrealized, in the early 1970's the Liberals garnered even greater popular support, measured not only in public opinion polls and by-elections but also in the general election returns of February and October, 1974. The Liberals were not only belying earlier predictions about the demise of their party, they were making positive gains.

The nationalists, especially in Scotland, have if anything been more successful than the Liberals in overcoming the handicaps imposed on third parties. The Welsh nationalist party, Plaid Cymru, won more than 11 percent of the Welsh vote in 1970 and continues to be a presence in that region. The Scottish Nationalist party has steadily increased its hold on the electorate of that area. With approximately 30 percent support in the October, 1974, elections, the SNP has surpassed the Tories and strongly threatens the dominant position of Labour in Scotland. Both nationalist parties, it should be stressed, have a long history as organized political units, dating from the late 1920's. The fact that the Scottish and Welsh nationalists have been able to do so well in recent years indicates that the power of the two main British parties has begun to weaken.

What can be observed of the structure and functioning of the public policy process in contemporary Britain? The environment is one in which one sort of issue has become dominant while the parties that serve as mediators between public opinion and political institutions have become more varied. This shift can be taken to indicate discontent with the public policy process.

The course of post-World War II British politics, both foreign and domestic, might best be described as a study in slow-moving compromise, lacking in any really dramatic departures from the status quo. As the economic strains of the postwar period became more apparent, there was little or no shift in the principal thrust of British public policy. The uncertain and abrupt characteristics of "stop-go" economic policy were maintained long after it had become apparent that more drastic measures would be needed if the nation were to break out of the constrictions of slow growth. Regional subsidies were increased, reflecting some recognition of the special problems of Scotland and Wales, but there was no across-the-board transformation. Britain surrendered the technological lead to the United States, Japan and West Germany; and this development did not serve as the spur for any noteworthy changes in policy or institutions.

There was a sluggishness in British public institutions, which very slowly recognized the need for changes that had become virtually unavoidable. Entry into the European Community is one example, perhaps the most important in terms of its implication for the economic and political future of Britain. The Community was first rejected, with the British attempting to dilute it with the competing European Free Trade Association. Later, the British government changed its policy and tried to join; when rebuffed, an extensive domestic debate discussed the desirability of membership. Britain was finally permitted to enter in 1972, a decade after her first application to join; but it was not until 1975 that the British accepted membership by means of a popular referendum.

Similarly, the response to growing regional sentiment in Britain has been a very gradual, indeed tentative, adjustment in government policy. The government refused for several years to entertain the possibility of any significant devolution of political power to regional authorities in Scotland and Wales, even after the Scottish and Welsh nationalist parties began to do well in electoral contests. The response to the nationalist challenge was to tinker with regional development and aid programs until the spectacular Scottish nationalist advances of the early 1970's. Even then, the proposed regional political assemblies were to have responsibility mainly for education, highways and some other services; they were not offered the independent taxing or economic powers that formed the core of nationalist demands and would constitute significant devolution.

Industrial strikes, work stoppages and related conflicts are another area where growing pressures have generated only a limited government response. A comparatively far-reaching reform was pushed by Prime Minister Harold Wilson in the late 1960's, only to be defeated by the Labour parliamentary party and Cabinet. The government of Edward Heath that followed became entangled in a severe conflict with trade unions that resulted not in trade union reform but in the end of the Conservative government during a bitter and costly miners strike.

In short, British political practices and institutions have shown themselves capable of only very partial, slow-moving and, at least at times, ineffective attacks on public policy problems. There have been serious economic and economics-linked challenges to the political system since World War II, and the nation has entered a period of remarkably reduced power and status internationally; nonetheless, there has been no far-reaching response.

Very recent developments in British politics have reflected this general theme. The government of James Callaghan has struggled with the multiple problems of inflation, stagnation and unemployment; its limited efforts do not depart dramatically from those of its predecessors. Callaghan himself is a typical product of the British leadership selection process. By the time he assumed the Prime Ministership, he had served a very long apprenticeship in the party, holding a number of different posts. Except for early years in the trade union movement, with responsibilities that were mostly political, his career has been a party career, carried onward and upward almost exclusively within the Labour party structure. In his brief tenure as Prime Minister, very serious problems compelled his Chancellor of the Exchequer, Denis Healey, to announce comparatively heavy spending cuts. The overall seriousness of political pressures was reflected in a vote of no confidence called by the Conservative opposition. The government survived, but only by means of a compromise resulting in its partial dependence on the small Liberal party. Consultation on policy matters was traded for support of the Labour government in the confidence vote.

The no confidence vote was a serious development (and there have been other indications that the Callaghan government is in political trouble), but this has not brought any dramatic departures in policy. The Conservatives have pulled well ahead of Labour in public

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*"Even if Schmidt wanted to make radical policy changes, the narrow parliamentary majority he commands and the FDP threat to leave the coalition if major changes are made on economic and social issues would preclude such initiatives."*

## West Germany: A Balance Sheet

BY GERARD BRAUNTHAL

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WESTERN industrial states face serious political and economic crises. Their citizens are increasingly critical of governing elites held responsible for these apparently insoluble crises. The Federal Republic of Germany has not been able to escape crises, although they have not been so serious as those of most other European states. The result has been an evaporation of support for the governing coalition of the Social Democratic party (SPD) and the numerically small, liberal-oriented Free Democratic party (FDP), as evidenced in the October, 1976, federal election.

During the election campaign, the parties did not address themselves to the problems worrying the voters: job insecurity and unemployment; high prices, taxes, and government expenditures; and law and order. The parties feared that they would alienate potential voters if they took specific positions on any of these problems. Instead, the opposition Christian Democratic Union/Christian Social Union (CDU/CSU) accused the SPD and FDP of endangering the achievements of two decades of CDU/CSU governments by whittling away at individual freedom and by increasing tax burdens. Playing on fears of communism, it tarred the reformist SPD as a party of the Left intent on changing the existing system. Franz Josef Strauss, chairman of the CSU, the Bavarian ally of the CDU, minimized the differences between the SPD and the rulers of the unpopular East European Communist states. He labeled the Social Democrats as "stone-age Socialists" who were not doing much to stop West German anarchist terrorists or the mounting Communist threat from the East. Helmut Kohl, the CDU/CSU candidate for Chancellor, Minister-President of Rhineland-Palatinate, and CDU national chairman, assailed the radical youth wing in the SPD that sought to nationalize banks and introduce government controls over private investments. The two leaders approved their party's election slogans, "Freedom or Socialism" and "Freedom instead of Socialism." To their delight, the slogans provided the focus of the campaign.

Chancellor Helmut Schmidt (SPD) and Willy Brandt (former Social Democratic Chancellor and still party chairman) had a tough time defusing the CDU/CSU verbal assault. On the defensive, they emphasized their government's success in enacting progressive reforms since the SPD won power in 1969, their record of anti-communism, their distaste for the nationalization of industry, and their support for the existing political and mixed capitalist-socialist economic system. They insisted that their party's fight for social justice and social welfare represented true freedom. But they could do little about radical statements made by Marxist-oriented Young Socialist leaders, Young Socialist-Communist alliances at some West German universities, scandals in several SPD city or state strongholds, and factional intraparty disputes.

In September, 1976, during the "hot phase" of the campaign, the two Helmut (Schmidt and Kohl) waged a bitter fight to capture the crucial votes of the undecided voters, whose support was essential for either party's victory. In a four-hour television debate a few days before the October 3 election, Kohl told Schmidt, "The viewers will see through your arrogance; it's a scandal the way you've run your campaign." Schmidt replied that "if anyone has embittered the campaign, it's you with your shameless slogan, 'fighting for freedom against socialism.' You started it . . ."<sup>1</sup>

As predicted by public opinion polls, the election results were extremely close. SPD and FDP managed to squeak by with a majority of 50.5 percent, as compared to 54.2 percent in the 1972 election. From 1972 to 1976, they held a majority of 46 seats in the Bundestag (lower house of Parliament); this majority was whittled down to 10 for a total of 253 seats (SPD, 214; FDP, 39). If this majority holds, and their coalition sticks together, they can expect to remain the governing parties until 1980, when the Bundestag ends its four-year period.

The CDU/CSU, remaining on the opposition bench, received 48.6 percent of the vote (1972: 44.9), and gained 19 seats, for a total of 243, the largest bloc of seats in the Bundestag. But to claim the chancellorship, the opposition would have needed the support of another party in order to gain more than 50 percent of

<sup>1</sup>The New York Times, October 2, 1976.

the votes in the legislature. Only a coalition with the FDP (as was common in the 1949-1969 period) would have provided the winning margin, but the FDP had already pledged its renewed support to the SPD before the election.

There were several reasons for the SPD-FDP electoral setback and the CDU/CSU gains: an effective CDU/CSU campaign strategy, which the SPD and FDP could not match; a continuing high rate of unemployment and mounting welfare costs, blamed on the government; and the internal SPD difficulties. But despite voter shifts among the three national parties in the Bundestag and despite serious economic problems redounding primarily to the benefit of the CDU/CSU, few voters cast their ballots for the 12 small extremist parties on the left and right of the political spectrum. These parties won less than 1 percent of the national vote. The two largest, the neo-Nazi National Democratic party (NPD) and the pro-Moscow Communist party (DKP), each received only 0.3 percent (120,000 votes). Since a party must obtain at least 5 percent of the national vote or capture a minimum of three seats in electoral districts to be represented in the Bundestag, the minor parties once again remained on the periphery of the political system. In sum, the election results proved that voters were still loyal to the three parties committed to the existing political and economic system. Yet the results also warned the government that voter satisfaction with its policies was slipping.

Nor could the government expect to receive automatic support from both houses of Parliament for its legislative program. In the Bundesrat (upper house), the organ of the Länder (states), the CDU/CSU continues to maintain a majority. In the previous legislative period, the Bundesrat was able to block bills deemed by its majority to be detrimental to Länder interests. The SPD-FDP government could run into similar roadblocks in the current session unless it chooses to bypass the Bundesrat, as Schmidt has threatened, a move that the CDU/CSU would challenge in the Constitutional Court.

Although the government could not rejoice in the election results or the continuing opposition strength in the Bundesrat, it was pleased that it remained in power and that a serious rift developed between the CDU and the CSU soon after the election. On November 19, Strauss announced that the CSU would no longer form a voting bloc with the CDU in the Bundestag. This dramatic news was intended to serve notice on Kohl that the CSU, which had received its highest percentage of votes ever in Bavaria, could become the nucleus of a fourth national party. In that event, it would compete with and draw conservative voters away from the CDU. It might even give Strauss a chance to become Chancellor in 1980. Kohl, infuriated by the Strauss announcement, threatened to form a CDU affiliate in Bavaria, which would then compete with the CSU on the latter's

territory. On December 12, after numerous negotiations, the two parties agreed to continue their parliamentary alliance; but with the stipulation that in case of discord they need not vote in a bloc.

On December 15, the new Bundestag reelected Schmidt as Chancellor. The former Minister of Defense and then Finance had succeeded Brandt when the latter resigned the chancellorship in 1974 in the wake of an East Germany spy scandal in Bonn. Schmidt views himself as a pragmatic and conservative reformer who holds power in a difficult time in history. Leftists in his party accuse him of lacking a socialist vision or of failing to support necessary radical reforms in the Federal Republic. Sharp-tongued and rude at times, the Chancellor has few personal friends in the SPD—his political base. Yet he has the support of a majority of party members who realize that there is no other suitable candidate for the chancellorship and who know that he enjoys more respect among the voting population than does their party.

#### DOMESTIC PROBLEMS

Schmidt's esteem in the party suffered a damaging blow a few weeks after the election, while the coalition negotiations for a new SPD-FDP Cabinet were in progress. Worried about the sizable debt in the old-age pension fund, Schmidt suddenly decided to postpone for six months a 10 percent increase in pension benefits that he had promised for July, 1977. This promise, made during the election campaign, had been welcomed by the pensioners and the SPD rank and file. When news reached them of a reversal of policy, their protests were so vehement that Schmidt and the Cabinet withdrew their unpopular decision. In the aftermath of this storm, Labor Minister Walter Arendt resigned; he did not want to remain in a Cabinet that would limit the social welfare system. In turn, government leaders charged privately that he had underestimated the multi-billion-dollar debts of the pension funds and had ignored the government's Social Advisory Committee forecast that major deficits would arise if benefits, but not contributions, were increased. The new Cabinet, with only three new members (including Herbert Ehrenberg, the SPD deputy parliamentary floor leader who succeeded Arendt), decided that in the future benefit increases would be based on an increase in disposable rather than gross income. The pension dispute might seem to be a tempest in a teacup, but it exemplified a type of financial constraint faced not only by the Federal Republic but by the United States and other industrial nations beset by continuing unemployment and dizzying rises in health costs.

On December 16, the day after he was sworn in as Chancellor, Schmidt delivered a lengthy policy statement, comparable to the American presidential state-of-the-union message. Unlike his predecessor Brandt, who from 1969 to 1974 had promised many economic

and social reforms but who had not been able to carry them all out, Schmidt did not promise similar reforms, knowing their financial costs. Focusing primarily on domestic issues, he emphasized the government's need to restore full employment, reduce public borrowing and put the old-age pension and health systems on a better financial footing. On the plus side, he noted that in 1976 inflation had been kept down to 3.7 percent and that economic growth had risen by 5 to 6 percent. Aware of voter alienation and worries about nuclear power, he also promised to take public attitudes into greater consideration when formulating policy.

In the parliamentary debate following Schmidt's statement, Kohl assailed it as a "document of helplessness," which withheld information on the government's intentions to solve current problems. He claimed that the CDU/CSU would pursue a policy of "energetic opposition." But such opposition or alternative solutions to problems have not materialized so far. Indeed, given the international rather than national character of such problems as unemployment, the scope of alternative solutions available to political parties has narrowed considerably. As a consequence, problems are solved, if at all, on a pragmatic, non-ideological basis without promise of miracles.

Even if Schmidt wanted to make radical policy changes, the narrow parliamentary majority he commands and the FDP threat to leave the coalition if major changes are made on economic and social issues would preclude such initiatives. For instance, Schmidt could not forget the FDP's insistence ever since 1969 that the SPD make concessions on a SPD-sponsored co-determination bill providing for an equal number of workers' and management representatives on the boards of directors of corporations. As a price of continued FDP participation in coalition Cabinets led by the SPD, Schmidt yielded to the FDP on this issue in 1975—to the chagrin of the mostly SPD-oriented Federation of German Trade Unions (DGB), which had demanded parity between the two partners.

At the root of discord between SPD and FDP on economic and social (but not on foreign policy) issues is the different social make-up of each party. The SPD receives support from left-leaning blue-collar workers, salaried employees and low-level civil servants; the FDP from the liberal segment of the business and professional community and higher civil servants. The Chancellor and the Cabinet must make compromises on proposed legislation reflecting the diverse viewpoints of these groups.

The task is made more difficult if opinions also differ within each governing party, rather than only between them. The case of unemployment illustrates this point. Heinz-Oskar Vetter, head of the DGB, and other labor leaders insisted that the continuing unemployment total of 1 million, 4.5 percent of the labor force, was unacceptable, and that the Cabinet must put priority on

reducing unemployment. Labor leaders pointed out that unemployment was virtually unknown in West Germany before 1974; indeed, at that time, 2.5 million foreign workers, primarily from southern Europe, were allowed to work to make up for labor shortages. With unemployment rising, the number of foreign laborers was down to 1.9 million (most of whom returned home, only to face unemployment there). Labor leaders were especially concerned about young Germans attempting to enter the labor force; unsuccessful, they were increasingly restive and could become a source of trouble for the government. The Young Socialists were also critical of Schmidt for not doing more about unemployment.

Schmidt insisted that unemployment was merely one problem among many others that must be solved concurrently and not sequentially. If the government were to stimulate the economy artificially by initiating huge public works programs to create more jobs, then inflationary pressures would become acute—a nightmare to Germans who had experienced the disastrous inflation of the early 1920's, which wiped out their savings and the value of their money. But Schmidt agreed that the government had to help in alleviating structural unemployment in some industries, like steel.

## INTERNATIONAL REPERCUSSIONS

Schmidt not only had to answer domestic critics within his own party—the trade unionists and the Young Socialists—he also faced pressure from abroad, especially from the United States, Great Britain, France and Italy. The political leaders in these states urged the West German and Japanese governments to stimulate their economies because their relative economic strength would generate more imports from the weaker European countries and prevent a new damaging recession.

Schmidt, who had supported United States President Gerald Ford before the 1976 election in the United States because he feared that a new American administration would be slow to meet domestic economic problems, politely rejected the prodding from United States Vice President Walter Mondale and Charles Schultze, President Jimmy Carter's chairman of the Council of Economic Advisers. Schmidt's negative position cooled United States-West German relations, especially when he put pressure in turn on United States officials to introduce an economic stimulation package in Congress by the spring of 1977 in order to induce economic recovery and thereby increase imports from West Europe.

According to a West German government economist, "We've come under criticism in Europe and in America for not expanding the economy fast enough, and in fact we have a duty to help the rest of the world to overcome its balance-of-payments problems. But we've reached a sort of limit."<sup>2</sup> He pointed to the country's three years of

heavy deficit financing to combat the recession by funding major investment programs in the public and private sectors, to the government's debt of \$53.1 billion, and to the pension and health systems operating at a loss. The government would have to make savings wherever it could.

Although in 1977 Schmidt was inclined to let the German economy grow moderately without new major public pump-priming efforts, domestic and foreign pressures forced him to take some action. In March, 1977, the Cabinet adopted a \$6.7 billion, three-to-four year public works construction program, to be financed half by federal bond issues and half by state and local governments and utility companies. Such financing would not necessitate printing money and increasing budget deficits. Originally, Schmidt had planned a \$5 billion program, but as a conciliatory gesture to President Carter he increased it by \$1.7 billion.

In May, 1977, the Cabinet voted an additional \$250 million to provide employment for the elderly, for women, and for people who had been out of work for long periods. It hoped that up to 50,000 new full- or part-time jobs could be created. In addition, the Cabinet voted to increase the volume of new, government-funded housing units from 50,000 to 80,000 in 1977.

Obviously, such programs would only make a dent in the unemployment rate, and German labor remained dissatisfied. Regarding its wage demands as moderate, it accused industry of investing its profits in automation that produced more unemployment instead of investing in job-producing facilities.

In the meantime, President Carter supported the proposal for a summit meeting of the non-Communist industrial nations to prepare joint action to solve their economic difficulties. In May, 1977, United States, West European and Japanese leaders, meeting in London, agreed that the stronger nations must meet economic growth targets for 1977—set for West Germany at 5 percent, for the United States at close to 6 percent, and for Japan at 6 to 7 percent. They also supported Schmidt's view that inflation rather than unemployment was the crucial economic problem, although they concurred that unemployment, especially among the young, could not be ignored.

Persistent high unemployment is West Germany's major economic problem, but German anxieties also center on increased inflation and a collapse of the export market. Schmidt is proud to have kept inflation down to 4 percent, the next to lowest inflation rate in West Europe (that of Switzerland is only 2.5 percent), but he worries that inflation cannot be kept at that level. If costs go up, the export of goods, on which the country depends so heavily, would be adversely affected, producing a new recession.

Exports have remained high, chiefly because of the

quality of goods, the reliability and speed of deliveries and government export subsidies. Yet some goods have suffered from the price appreciation of the mark and have become less competitive in overseas markets, especially in the United States. As a result, the Volkswagen company finally decided to build an auto plant in the United States. In turn, German workers worried that their jobs would be endangered. Volkswagen officials responded that engines and other parts for the American-built car would still be manufactured in the German plant in Wolfsburg.

Despite the softness in exports, West Germany still has a sizable excess of exports over imports, causing other countries to criticize her balance-of-payments surplus. To meet this criticism, the government was successful in pushing up the level of imports by 17 percent in 1976—a higher rate of growth than the 13.5 percent estimate of all member countries of the Organization for Economic Cooperation and Development. As a result, the balance-of-payments surplus declined from about \$10 billion in 1974 to \$3 billion in 1976.

Although West Germany's economic problems cannot be minimized and the period of rapid domestic expansion is over, the country is strong when compared to most other European states. The value of the mark, the strongest currency in Europe, has climbed 24 percent since 1972 and has pulled other currencies with it. Barring an unforeseen crisis, the economy will continue on a moderate upward phase in the immediate future. As a result, the government in recent years has extended substantial financial loans and other forms of aid to Great Britain and Italy to help solve their short-term balance-of-payments problems. This largesse, coupled with Schmidt's blunt advice to economically troubled European states to cut down on their inflation, gave rise to fears of another powerful and aggressive Germany emerging. In France, Schmidt was labeled "the master sergeant," and in Italy there was a saying, "Il marco über alles," a reference to the dominance of the West German currency.

#### NUCLEAR TECHNOLOGY

Discord between the Federal Republic and the United States has not been restricted to economic problems, but includes the question of exporting nuclear technology to

(Continued on page 182)

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<sup>2</sup>Cited in *ibid.*, January 8, 1977.

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*"The June, 1976, national election demonstrated, unequivocally the end of the center-left formula that had ruled Italy for almost 15 years."*

## Italy: A New Adventure

BY PELLEGRINO NAZZARO  
*Professor of History, Rochester Institute of Technology*

THE pattern of political evolution in Italy has never developed in a vacuum. There have always been forewarning signs. In fact, the June, 1975, regional, provincial and communal elections—although they did not change the composition of the national Parliament—foreshadowed the tempest of the June, 1976, national election. On June 15-16, 1975, some 40 million Italians voted to renew regional, provincial and communal assemblies. At stake were nearly 1,000 council seats in 15 of Italy's 20 regions and thousands of provincial and communal assembly seats.

In the election, the Christian Democrats (DC) won 2.5 percent fewer votes than they had in the 1970 election. The Communists (PCI) gained an impressive 6 percent. (The Socialists (PSI), who expected to do well, gained a mere 1.7 percent.) The Christian Democratic loss was not unexpected. The big surprise was the size of the Communist gain. The party won 10,101,761 votes in 1975, compared to 7,397,981 votes won in 1970. The Communists emerged as the largest party in all major cities, thus controlling them alone or in partnership. The geopolitical configuration of Italy after the June, 1975, election called for special attention, since the Socialists played a crucial role.

Five regions (Emilia, Toscana, Umbria, Liguria and Piemonte) are now governed by Communist-Socialist coalitions. Eight (Lombardia, Lazio, Abruzzo, Basilicata, Puglia, Campania, Calabria and Marche) are governed by center-left coalitions with the external "benevolent" support of the Communist party. Only two regions (Veneto and Molise) have coalition governments that include Christian Democrats, Social Democrats (PSDI) and Republicans (PRI).

Had the Socialists continued as partners in a center-left coalition, the Communists would have controlled only three regions (Emilia, Toscana and Umbria). The

other twelve regions might have had traditional center-left coalitions (DC+PSI+PSDI+PRI), with the Communist party in opposition. On the contrary, the Socialists preferred to collaborate with the Communists because they were lured by the Communists' promise of a large share of power: the presidency of the regional juntas in Toscana and Piemonte; the assembly chairmanships in eight regions (Lombardia, Liguria, Emilia, Umbria, Campania, Puglia, Basilicata and Calabria) along with the mayoralty of Milan and the presidency of the province of Florence.<sup>1</sup>

However, the dynamics of power and the ensuing strategies caused irreparable damage to the Socialists. Once they fell into the trap of a "unitarian" collaboration with the Communists, the Socialists' political role became negligible. As Alfredo Reichlin pointed out in his article "Comunisti e Socialisti," which appeared in the January 16, 1976, issue of *Rinascita*:

the interpretation of the June, 1975, election imposes on the Communist and Socialist parties a new, united strategy in tune with the new direction indicated by the people: That is why we [Communists] insist upon the necessity of the *historic compromise*, which means exactly a collaboration at government levels between the Communists and the Christian Democrats without damaging the Socialists.\*

According to Reichlin, the historic compromise could be achieved without damaging the Socialists but not necessarily by including them.

The political isolation (*emarginazione politica*) of the Socialists was accentuated after the June, 1975, election. A few days after the election, the Socialists decided to tailor any future participation in national coalition governments to "a preferential treatment toward the Communist party."<sup>2</sup> In reality, this decision implied a de facto acceptance of the Communist party within the area of the governing majority. More important, it would have given the Communists a role in the nation's decision-making process. As Alberto Ronchey pointed out in an editorial "I Socialisti," in *Corriere della Sera*, January 11, 1976, "the Socialists' request represented a further proof that they were going through another stage of their traditional inconsisten-

\*Italics mine.

<sup>1</sup>"Così in agosto è cambiata l'Italia," *Il Settimanale*, August 27, 1975, pp. 11-14.

<sup>2</sup>Angelo Macchi, "Verso le elezioni del 15 giugno," *Aggiornamenti Sociali*, vol. 26, no. 6 (1975), pp. 421-428.

cy." According to Ronchey, the Socialists—cherished by the Communists on the left and warned by the Christian Democrats on the right—demonstrated political immaturity in not being able to assume a well-defined position on their ideological and historical function in Italy's political arena. Caught between two strong and powerful interlocutors (Christian Democrats and Communists) and in what Italian political experts have called "double dependency" (*doppia subalternità*), the Socialists appeared to be trapped.

### DE MARTINO AND THE CRISIS IN THE GOVERNMENT

When Francesco de Martino, then chairman of the Socialist party, understood the trap into which his party had fallen, he decided on a bold but unwise move. In an editorial in the official party newspaper *Avanti!* on December 31, 1975, he announced his decision to end the external support of the Christian-Republican coalition government headed by Aldo Moro. De Martino claimed that the Moro government had initiated a covert love affair with the Communists, asking for "a benevolent and substantive political support of the government."<sup>3</sup>

In truth, de Martino had perceived that the role of the Socialist party, at all levels, had shrunk, and that the Communists had seized the initiative and were becoming increasingly influential in the decision-making process. Aware of this situation, de Martino tried to restore Socialist credibility and respectability. He withdrew his support from the government and pushed the crisis toward a new general election, in which he hoped to gain more votes and thus more seats in Parliament. It is safe to assume that de Martino's strategy included these specific goals: (1) to stop immediately any further dialogue between Communists and Christian Democrats toward the *historic compromise*; (2) to prevent the total isolation of the Socialist party and its relegation to a secondary role to the Communists on the left of the political spectrum; (3) to force the Christian Democrats eventually to form a coalition government in which the role and the impact of the

Socialists would be preferential; (4) to convince the Communists that any attempt to seize power could be achieved only through a Communist-Socialist grand alliance in which the Socialists would play the role of guarantors of the nation's democratic tradition and institutions.<sup>4</sup>

De Martino's decision spurred an uproar against him and his Socialist party. Even the Communists joined in the protest. They considered the crisis "unwarranted, because the Parliament was in the process of passing economic policy in favor of Italian workers and on behalf of the beleaguered south." In addition, the Communists opposed the crisis since it was the result "of equivocal maneuvers intended to stir political and economic chaos in Italy."<sup>5</sup>

In spite of all protests, the Christian Democrat-Republican coalition government fell in January, 1976, and was followed by a Christian Democrat minority government, again headed by Moro and supported by the "abstention vote" of the other center-left partners (PSI+PSDI+PRI). However, in April, in a swirling move, the Socialists connived with the Social Democrats to announce the end of their support of the government. This time Giovanni Leone, the President of the Republic, dissolved the Parliament and called for national elections June 20-21.

The election campaign focused on the strategies of the two major parties, the Christian Democrats and the Communists. The Christian Democrats, led by Benigno Zaccagnini, chairman of the party, launched a 14-point platform that ranged from socioeconomic reforms to international commitments. However, the possibility of Communist participation in postelection government coalitions was the core of the platform. The Christian Democrats repeated their opposition to "a government coalition that included all parties of the constitutional spectrum," i.e., from the Liberals (PI) to the Communists. Although they opposed a government in which the Communists would share Cabinet seats, the Christian Democrats hoped that the Communists would agree to a formal role in shaping policy from outside (*contributo concordato*).<sup>6</sup>

The platform of the Communist party focused on its role in Italy. The party presented itself as the only genuine expression of the popular and working forces. It criticized the abstract way the Christian Democrats had been handling politics and advocated efficiency and good government based on the slogan, "serving in the government to serve the people."<sup>7</sup>

In line with this approach, the platform called for a postelection government of "national emergency" that would include all parties of the constitutional spectrum. Enrico Berlinguer left no doubt of his opposition to a Christian Democrat-Socialist coalition government (DC+PSI). Needless to say, this represented a further blow to the Socialists' political prestige and credibility.<sup>8</sup>

<sup>3</sup>*Avanti!* December 31, 1975, p. 1.

<sup>4</sup>"Per ora giudizio sospeso," *Corriere della Sera*, January 2, 1976; "Due le ipotesi di governo per De Martino altrimenti ci saranno le elezioni anticipate," *Corriere della Sera*, January 20, 1976, pp. 1-2.

<sup>5</sup>Lamberto Forno, "Un coro di voci contro la crisi," *La Stampa*, January 3, 1976, p. 1.

<sup>6</sup>Mario Manfellotto, "Quattordici punti della DC per uscire dall'emergenza," *Corriere della Sera*, May 26, 1976, pp. 1-2.

<sup>7</sup>Giampaolo Pansa, "I Comunisti come sono," *Corriere della Sera*, May 26, 1976, pp. 1-2; Gerardo Chiaromonte, "Il Voto per governare," *Rinascita*, vol. 33, no. 25 (June 18, 1976), pp. 1-2.

<sup>8</sup>Antonio Padellaro, "Berlinguer: risolveremo il nodo della proprietà privata," *Corriere della Sera*, May 29, 1976, pp. 1-2.

Not surprisingly, the Socialists, who were seriously and strongly pushing for a Socialist-Communist grand alliance after the elections, tried desperately to overcome this handicap. Their campaign condemned the political hegemony of the Christian Democrats, on one hand, and focused on the ideological differences that separated them from the Communists, on the other:

The Communists are totalitarian. They reduce society to a rigid model. The Socialists are pluralistic. They operate within the democratic system.<sup>9</sup>

The Socialist strategy was apparently twofold: to reduce the political hegemony of the Christian Democrats at government levels; and to set up the conditions for a preferential partnership with the Communists. Paradoxically, the Socialists failed to understand that they were ideologically inconsistent and numerically insufficient to carry out this dual task. In fact, their utopia was shattered by the results of the June, 1976, national elections in which they lost votes and seats in Parliament.

### THE ELECTION RESULTS

In the seventh legislature of the Republic, which opened with the June 20-21, 1976, national election, Italy's political spectrum was deeply altered. Political experts agreed that the election produced the "most difficult Parliament of the Italian Republic."<sup>10</sup>

A strong polarization of votes for the Christian Democrats and the Communists was evident. The Christian Democratic party, which remains Italy's leading party, lost 0.1 percent of votes and 4 seats in the Chamber of Deputies. They went from 12,943,675 votes (38.8 percent) and 266 seats in 1972 to 14,211,005 (38.7 percent) and 262 seats in 1976. In the Senate, they gained 0.8 percent of the vote but lost one seat. They went from 11,465,529 votes (38.1 percent) and 136 seats in 1972 to 12,215,036 (38.9 percent) and 135 seats in 1976. On the other hand, the Communists gained considerably. They jumped from 9,068,961 (27.1 percent) and 179 seats in 1972 to 12,620,509 votes (34.4 percent) and 228 seats in the Chamber of Deputies. In the Senate, the Communists scored considerable gains, too, going from 8,308,283 votes (27.6 percent) and 94 seats in 1972 to 10,631,871 votes (33.8 percent) and 116 seats at present.

As for the other partners of the center-left coalition, the Socialist party (PSI), the Social Democratic party

<sup>9</sup>Giuliano Zincone, "Come i Socialisti vogliono uscire dalla stretta DC-PCI," *Corriere della Sera*, May 29, 1976, p. 2.

<sup>10</sup>"Il più difficile Parlamento della Repubblica," *Corriere della Sera*, June 23, 1976, p. 1.

<sup>11</sup>Giuseppe Brunetta, "Le elezioni del 20 giugno," *Aggiornamenti Sociali*, vol. 27, nos. 7-8 (1976), pp. 493-504.

<sup>12</sup>Alfredo Reichlin, "La questione comunista," *Rinascita*, vol. 33, no. 26 (June 25, 1976), pp. 1-3.

<sup>13</sup>Giampaolo Pansa, "Berlinguer: settimane difficili ma i comunisti non hanno fretta," *Corriere della Sera*, June 23, 1976, p. 2.

(PSDI) and the Republican party (PRI) all lost in votes and seats. The Socialists lost 4 seats in the Chamber of Deputies and 4 in the Senate; the Social Democrats lost 14 in the Chamber and 5 in the Senate; the Republicans lost 1 in the Chamber and gained 1 in the Senate.

On the right of the political spectrum, the neo-fascist parties (MSI-DN) lost in votes and seats, losing 21 seats in the Chamber and 11 in the Senate. The Liberal party was almost wiped out, losing 15 seats in the Chamber and 6 in the Senate.<sup>11</sup>

A comparative analysis of the new Parliament and the possible alternatives for coalition majorities made it clear that Italy's political axis had shifted heavily to the left. The center-left coalition (DC+PSI+PSDI+PRI) had lost 32 seats. The center-right coalition (DC+PSDI+PRI+PLI) had lost 42 seats. The leftist coalition, including the Proletariat party (DP) and the Radical party (PR) (PCI+PSI+DP+PR) had gained 73 seats, but with 46 percent of the parliamentary seats it fell short of a majority to govern the nation.

The June, 1976, national election demonstrated, unequivocally, the end of the center-left formula that had ruled Italy for almost 15 years. It also made it clear that Italy "cannot be ruled without the Communist party. A democracy reduced to half is neither arithmetically nor politically feasible."<sup>12</sup>

### THE SITUATION TODAY

After the election, the Christian Democrats could no longer ignore the presence of a large and representative Communist party. However, they seem to have managed the postelection situation with skill and political wisdom. To counter the Communist proposal to form a *government* of "national emergency," the Christian Democrats proposed a *program* of "national emergency."

To start with, the Communists were offered a more important role in the government. They were given the presidency of the Italian Chamber of Deputies in the person of Pietro Ingrao. It is significant that in the period of the center-left coalition the presidency had been occupied by a Socialist, Sandro Pertini.

In addition, the Communists were given the chairmanships of four very important committees in the Chamber (Finance and Treasury, Public Works, Constitutional Affairs and Transportation) and three in the Senate (Budget, Health and Welfare and Agriculture). Clearly, the Communists—dropping, or at least postponing, their campaign request to be included immediately in a coalition government—were being recognized by the Christian Democrats as a strong political party to be consulted on major national issues and programs, particularly concerning the economy.<sup>13</sup> It is within this context that one must understand the life and operation of the present one-party (Christian Democrats) minority government, nicknamed the

"government of abstentions" and kept afloat by the concerted abstention and/or support of the Communist party.

But for the Communists, the June, 1976, national election proved that in Italy democracy is no longer possible through the formula of keeping half a nation in power and half in opposition:

If the political condition is not presently conducive to the historic compromise, it must be understood, nevertheless, that the growth of the Communist party is of such size that the Christian Democrats need to deal with the Communists on major programs and policy more than before.<sup>14</sup>

This statement seems to have been accepted by Premier Giulio Andreotti. His frequent consultations with the Communists on important legislative and economic policy has apparently paid off. Above all, the government has been able to impose an austerity program on the Italians with the consent of the Communists.

In mid-July, 1977, after months of laborious consultation with the six parties of the constitutional spectrum (DC+PCI+PSI+PSDI+PRI+PLI), Parliament approved a so-called "programmatic accord," a seven-point platform of urgently needed reforms in the areas of law and order; economic policy; relations between the central government and regional, provincial and communal institutions; reforms of schools and universities; mass media and information; and international relations. The Communists, who held a major role in the elaboration of the platform, voted in favor of it. It was the first vote of support the Communists have given to a government since 1947.<sup>15</sup>

### THE HISTORIC COMPROMISE AND EUROCOMMUNISM

More and more people—in Italy and abroad—are convinced that in the last few years the Italian Communist party has espoused political and ideological moderation. The Stalinist faction of traditional revolutionaries who opposed participation in or support of democratic government has been drastically weakened. Although evidence of the existence of hardline elements remains, Berlinguer's line of democratic unity and moderation seems to have prevailed.<sup>16</sup> This line, which stems from Italy's internal political and dialectic

<sup>14</sup> Aniello Coppola, "Il rapporto col PCI," *Rinascita*, July 2, 1976, pp. 3-4.

<sup>15</sup> "Il governo ha ora un programma," *Il Progresso Italo-American*, July 17, 1977, p. 1.

<sup>16</sup> *The New York Times*, October 19, 1976, p. 8; October 21, 1976, p. 8 and November 4, 1976, p. 15.

<sup>17</sup> "Text of Togliatti Memorandum on the Problems of World Communist Tactics," *The New York Times*, September 5, 1964, p. 2.

<sup>18</sup> Enrico E. Berlinguer, *La Questione Comunista*, vol. 1 (Rome, 1975), pp. 404-432.

<sup>19</sup> "Dichiarazione comune di PCF e PCI," *L'Unità*, November 18, 1975, pp. 1-11.

articulation, must be considered as the most peculiar condition around which the whole strategy of the historic compromise and Eurocommunism is geared.

Symbolically, the Communist decision to support a Christian Democrat minority government must be viewed as the result of a long process of profound change in thought and practice that started with the late Palmiro Togliatti's well-publicized doctrine of polycentrism in 1964 (the Yalta memorandum). Berlinguer, who is neither a revolutionary nor an internationalist but a reformer and nationalist, has followed diligently in Togliatti's footsteps. He has tried to adapt communism to the special needs of Italy and to the peculiarity of the Western world. Berlinguer gratefully acknowledges his indebtedness to Togliatti in his quest for: "new means of struggle for advancing towards Socialism"; "the possibility of a peaceful way of this advance"; and the existence "In the organized Catholic world and among the Catholic masses of a clear move to the left during the time of Pope John that needs to be understood and assisted."<sup>17</sup>

Undoubtedly, time, the progression of events and historical conditions evolved in such a way as to influence Italian Communists to become more responsive to national needs and problems and to abandon the political ghetto to which they had been relegated for three decades. Historic compromise and Eurocommunism have been debated in Italy in tandem, and logically so, because each seems to complement the other. As doctrine and strategy, they were announced by Berlinguer in an editorial in *L'Unità* on January 24, 1971, under the title "Internationalism and Autonomy" (Internazionalismo e Autonomia). They were reaffirmed in the speech he delivered at the thirteenth congress of the party in 1972.<sup>18</sup> Subsequently, in the aftermath of the collapse of the Chilean marxist experiment, Berlinguer transferred both issues from the theoretical analysis to the area of historical reality.

The first practical steps toward this transfer were taken in the meetings in Paris in September and in Rome in November, 1975, between the delegations of Italian and French Communist parties headed by their chairmen, Berlinguer and Georges Marchais. Both parties pledged to support a democratic multiparty system with respect for the opposition in the democratic spirit of the rules of majority and minority. As for relations among nations, both parties agreed that each nation has the right to determine its own political and social system without external pressure or interference.<sup>19</sup> The climax was reached at the East Berlin conference of the Communist leaders of East and West Europe in 1976. There Berlinguer emphatically reaffirmed the position of the Italian Communist party vis à vis the Soviet Union. Among other issues, Berlinguer stressed:

That there is not and cannot be any leading party or

State on the theoretical level as well as on the development of Marxism;

That Communist solidarity is based on recognition that each party elaborates autonomously and decides in full independence its own political line, both internal and international;

That the models of Socialist society followed in the countries of East Europe do not correspond to the peculiar conditions and orientations of the broad working class and popular masses in the countries of the West.

In addition, the final communiqué of the conference spelled out unequivocally that Communist and workers' parties should recognize the necessity of dialogue and joint action with Catholic and other Christian forces, "which are an inseparable part in the struggle for the development of Europe in a spirit of democracy...."<sup>20</sup>

Echoing the position of the Italian Communist party at the conference, Sergio Segre wrote (in *Rinascita* on July 9, 1976) that the Berlin conference should not be construed as an act of denunciation of the past strategy of the Communist party of the Soviet Union but as "a look forward." The intent of the conference, continued Segre, was not to introduce in Western Europe a new Communist credo in competition with the credo practiced in East Europe but a communism that could freely and incisively articulate ad hoc strategies suited to the particular political, social, intellectual and historical conditions of the countries of West Europe.<sup>21</sup>

Within an international context, according to Segre, historic compromise and Eurocommunism do not necessarily imply an alteration of the geopolitical and military makeup of West Europe. The Italian Communist party has repeatedly made pronouncements in support of the nation's commitments to the Atlantic Alliance (NATO) and to the European Economic Community (EEC).<sup>22</sup> This may be motivated by mere political opportunism, but today the Italian Communist party and its leaders have proclaimed their willingness to work within Italy's democratic system and to tailor their strategy to Italian political realities and economic needs. Nonetheless, the doctrines of historic compromise and Eurocommunism, as currently articulated, remain in embryonic development. In fact, the crucial point is not whether the Italian Communists are sincere in their pledge of moderation and respect of the democratic sys-

<sup>20</sup> *The New York Times*, July 1, 1976, p. 12.

<sup>21</sup> Sergio Segre, "La Conferenza di Berlino," *Rinascita*, vol. 33, no. 28 (July 9, 1976), pp. 1-2.

<sup>22</sup> Segre, Gianfranco Corsini and Antonio Gambino, "Il 20 giugno e il contesto internazionale," *Rinascita*, vol. 33, no. 24 (June 11, 1976), pp. 5-8.

<sup>23</sup> Virgilio Fagone, "La via italiana e il modello di un Socialismo diverso," *La Civiltà Cattolica*, vol. 128, no. 3042 (March 17, 1977), pp. 530-544; A. Caruso, "Il PCI resta e resterà comunista?" *La Civiltà Cattolica*, vol. 127, no. 3035 (December 4, 1976), pp. 501-512.

<sup>24</sup> Alvin Shuster, "Italy Announces Austerity Steps to Ease Inflation," *The New York Times*, March 19, 1976, p. 1.

tem. Rather, the point is whether or not they will be able to reconcile their ideological postulates with democratic political strategy. In other words, is it possible for the Communists to reconcile Marxism and democracy, collectivism and pluralism, and remain within the Marxist-Leninist orthodoxy? This is the crucial dilemma that confronts all the Communist parties of West Europe, including the Italian. Sooner or later, they must give a clear and final answer, and on that answer depend unequivocally the credibility and the feasibility of Eurocommunism.<sup>23</sup>

## THE ECONOMY

The seventh legislature, which opened with the June, 1976, national election and the ensuing Andreotti government, was confronted with a quasibankrupt nation. The rate of inflation was running at 20 percent annually. Wages had risen 25 percent, the steepest rise in West Europe. Public spending was climbing at a rate of 35 percent annually, with an anticipated 1977 deficit in the municipalities of over 10,500 billion lire (nearly \$12.5 billion). In 1976 there was a trade deficit of \$5.3 billion, a foreign indebtedness of nearly \$20 billion, a currency (the lira) that had dropped 35 percent against the dollar (.001133).

The Andreotti government had to impose on the nation an immediate austerity program that called for:

- Raising 5 trillion lire (nearly \$5.8 billion) in 1977;
- Cutting mandatory cost-of-living wage increases for all salaries above \$6,900 a year;
- Imposing a 10 percent tax on all foreign exchange operations;
- Increasing gasoline prices 25 percent to \$2.30 a gallon;
- Trying to balance foreign transactions by increasing exports;
- Trying to balance the budget and raise productivity by working harder;
- Establishing a special fund to alleviate unemployment, especially in the south. 1.5 million Italians are out of work, of whom 800,000 are in the south.<sup>24</sup>

The 1977 budget, approved by the Parliament, estimates expenditures at 47,083 billion lire and revenues at 35,706 billion lire, with a deficit of 11,377 billion lire. In 1975, expenditures for public services, provided and paid for by central and local governments, absorbed 15,228 billion lire. In 1976, the cost for the same services went up 35 percent. It is estimated that in 1977 they will go up another 40 percent. Waste, inefficiency, parasitism and the mirage of public employment have made the nation a welfare state.

Italy is suffering not only from a failure of her  
(Continued on page 180)

**Pellegrino Nazzaro** makes periodical visits to Italy and has published several articles in national and international magazines. He has contributed articles to *Current History* since 1970.

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*“Democratization has been carried out with not inconsiderable political skill, to which the overwhelming majority of Spaniards have responded with prudence and moderation, belying their supposed ‘unpolitical temperament.’”*

# The Political Transformation of Spain

BY STANLEY G. PAYNE  
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MOST observers agree that the political transformation that occurred in Spain after the death of General Franco in November, 1975, is impressive and in some respects breathtaking. It constitutes a political transformation without any clear parallel or analogy in twentieth-century systems: an established, institutionalized authoritarian system (not merely an ad hoc Hispanic military dictatorship) has been totally liberalized and transformed from the inside out by means of the personnel, institutions and mechanism of the regime itself, starting with the Head of State. The only analogy that has been mentioned, Turkey after Atatürk, does not bear comparison, because the Turkish republic was conceived as the first twentieth century expression of guided democracy within a third world mold. Nor is the recent Portuguese revolution similar, either, because the Portuguese dictatorship suffered the standard fate of institutionalized modern European authoritarian systems: it was overthrown by forces stemming from foreign (in this case, colonial) affairs. Post-Franquist Spain remains a unique example of voluntary, pacific internal transformation.

This is the more ironic in view of Generalissimo Francisco Franco's firm determination to avoid “the Primo de Rivera error” of failing to institutionalize his regime so that it could survive him. Why was Franco's 40-year regime so easily dismantled? In fact, the question should be reversed; Franco's major achievement was that he kept his system largely intact until his own death. Moral issues aside, the basic weakness in the historic-political position of Franquism lay in the fact that the “third force” national authoritarian systems lost World War II in Europe. When Franco came to power he was riding the wave of the future; in the Europe of 1939 there were more mixed authoritarian states than liberal democratic or Communist countries. After 1945, Franco became a dinosaur.

Contrary to the common view of Franco's “reactionary” regime, the Franquist government always intended to promote economic and social modernization. Franco

has recently been derided for having assumed that he could keep Spanish society unchanged, but this was never his intention. What was crucial for Spain was that the industrialization and urbanization of Spanish society in the 1960's and 1970's took place within the cultural and social context of secular, materialist, socially democratic West Europe, conditioned by mass tourism and more international experience than the Spanish people had ever known. As a result, the regime lost out in the minds and hearts of most Spanish people, even though the same people (or their parents) would have supported the regime under different circumstances several decades earlier.

Franco spent most of his career as dictator adjusting to circumstances he could not control. If he made a major personal political mistake, it was his choice of a successor. Juan Carlos, the present King and the grandson of Alfonso XIII, the last King (1902-1931), was brought to Spain by Franco in 1953 because he was the only logical and legitimate way to solve the succession problem. The conversion of the dictatorship into a regency in 1947 stabilized the regime and provided legitimacy by recognizing the historic institution of the monarchy as Spain's legal form of government. After 1943, Don Juan (father of Juan Carlos and the then heir and pretender) had adopted as his program a European-style parliamentary monarchy and had promised to dismantle the entire Franquist system. For this reason, Franco bypassed the heir-apparent in favor of his son, hoping to educate a young and impressionable prince in the values of the Franquist regime.

Juan Carlos played his role with such effectiveness and discretion that he was officially designated as Franco's successor and the next King of Spain in 1969. Careful never to overstep himself during Franco's lifetime, he nonetheless indicated his own political values during the early 1970's. Even before the death of Franco, it seemed likely that Juan Carlos as King would prove more his father's son than Franco's obedient pupil.

By the time that Franco finally died in November,

1975, the stage was set for drastic change. Franco had not been foolish or shortsighted enough to suppose that Juan Carlos—or any other royal successor—might not tinker with his system or try to reform it. He planned to circumvent such a contingency by an elaborate constitutional structure of corporative and oligarchical institutions, with the proviso that the incumbent Prime Minister was not to change automatically with the installation of a new Head of State. If Franco's closest political collaborator, Prime Minister Carrero Blanco, had not been assassinated in December, 1973, he would have remained in office as guarantor of the regime's continuity for as long as two years after Franco's death. Thus Carrero's spectacular murder by terrorists belonging to ETA (a Basque nationalist group) was a crucial development in Spain's political evolution, tellingly directed against the future of the regime. Carrero's successor as Prime Minister during 1973-1976 was Carlos Arias Navarro, a weaker and less effective figure, who lacked Carrero's ability to rally the old guard against change.

### THE CRUCIAL PERIOD

The first eleven months of the transition, from November, 1975, to October, 1976, were crucial to liberalization. The dismantling of the regime's authoritarian institutions might have occasioned a fatal backlash from the entrenched right and the military; instead, reform was successfully accelerated in 1976. Juan Carlos initially made no effort to remove Arias as Prime Minister despite his pro forma resignation immediately after Franco's death. Arias's temporary continuation seemed necessary to reassure the "bunker"—as Franquist diehards were labeled by the opposition—during the early transition. Moreover, in 1974-1975, Arias himself had made a few feeble gestures toward reform; by the beginning of 1976, he was charged with their acceleration, particularly in the direction of civil rights and political representation. Juan Carlos made it clear at the outset that his role was not to manipulate the daily workings of government. Yet he expected action from Arias's new ministry, whose most notable members were two former Franquist luminaries, José María de Areilza, Foreign Minister, and Manuel Fraga Iribarne, Minister of the Interior. Areilza, particularly, set the tone of reform during the first half of 1976, promising fundamental liberalization and constitutional revision within a brief period.

The new Arias government expanded civil rights and liberalized controls, but it made little progress toward the most basic reforms, especially in the realm of political structure, above all because Arias did not have his heart in it. By July, 1976, Juan Carlos felt sufficiently sure of himself to move more rapidly and asked for Arias's resignation. The military indicated they had no desire to intervene in the legal conduct of a government able to govern effectively and legitimately.

Arias went quietly and was replaced by Juan Carlos's personal selection, the 43-year-old bureaucrat and politician Adolfo Suárez González.

The first reaction to the appointment of this relatively unknown figure was anguish among liberals and reformists who greeted Suárez's appointment with cries of "Adolfo who?" Suárez, in fact, had served in minor political and administrative posts during the last 15 years of the old regime and had come to Juan Carlos's personal attention as the national director of Spanish television. He first attained Cabinet rank in the second Arias ministry formed after the death of Franco, when he served briefly as minister for the Movimiento (the old Falangist state party).

Although he was a product of the Franco regime, Suárez had matured during its last pseudo-liberal phase and had no illusions about its viability or the importance of bringing Spain into line with the rest of Western Europe. He was not a core Franquist but a politician of the younger generation, the generation that official propagandists had for some time—and with greater accuracy than they dreamed—been referring to as the *generación del Principio*, that is, of Prince Juan Carlos. The new monarch had accurately gauged Suárez's flexibility, political tact and talent for personal relations.

By the summer of 1976, it was increasingly evident that the Franquist minority in Spain was largely impotent without Franco. The official Movimiento was demobilized, and popular support was lacking. Once the power of the state was placed behind the process of de-Franquization, the only institution that might have interfered was the armed forces.

### THE MILITARY

One of Juan Carlos's major contributions to democratization was his tactful management of the Spanish military. This proved to be an easier task than had been anticipated, because the Franco regime had itself promoted the depoliticization of the military. Although the dictatorship maintained a special relationship with senior commanders, army officers were in general encouraged to concentrate on professional matters and to leave governing to the government. By 1976, most of the Spanish officer corps belonged to the post-Civil War generation. Although they were moderately nationalist and politically conservative, they were conditioned by the climate of the 1960's and 1970's. Many of them expected, and nearly all accepted, Spain's growing adaptation to West European political and social norms. In addition, the dictatorship had astutely prevented the formation of cliques or concentrations of power among army commanders, so there was no strong leader or cohesive group within the military that could easily initiate a new praetorian course. Finally, throughout modern Spanish history elements of the military have intervened in politics only during periods of un-

certain legitimacy or incipient breakdown, when the established government seemed unable to govern. Neither of those conditions obtained in Spain during 1976. There were persistent murmurings among small factions of ultras, but no serious threat ever materialized.

The King's private lunches with top commanders and a series of personal inspections and reviews held the respect of the army command and helped to maintain institutional loyalty throughout the transition. When the Vice President of government for national security, the right-wing General Fernández de Santiago, was forced to resign in September, 1976, he was replaced by Lieutenant General Gutiérrez Mellado, the outstanding liberal among senior commanders. Gutiérrez Mellado kept the military in line politically, while preparing for a series of structural and technical changes that would lower the overall age of command and improve the army's military efficiency. A special meeting between the new Prime Minister and ranking lieutenant generals and admirals in September, 1976, produced an expression of support for the reform policy, except for a verbal veto of the legalization of the Spanish Communist party. Early retirement of a number of key ultra-right commanders was also effected.

The way was then clear in October, 1976, for the most crucial single step, the Law for the Reform of the Cortes (Parliament), which replaced the authoritarian corporative system of Franco with a directly elected democratic Parliament of two chambers, an Assembly and a Senate, the only limitation being that approximately 18 percent of the Senators were to be designated personally by the Crown. The most remarkable fact about this reform was that for the most part it was not strongly contested by the old Franquist deputies. Whereas in the summer of 1940 the democratically elected Parliament of the French Third Republic voted itself out of existence in favor of an authoritarian Pétainist regime, the opposite occurred in Madrid in the autumn of 1976: an authoritarian, corporative Parliament voted itself out of existence in favor of a democratic Parliament based on free parties and elections, even though most of the old deputies who voted in favor of the reform stood little chance of being elected by a democratic party system. With Franco dead and the tide running so strongly against them, most Franquists accepted defeat.

Suárez was ably assisted by the speaker of the Cortes, the flexible regime veteran Torcuato Fernández de Miranda, and the new Minister of the Interior, Martín Villa, who adroitly administered the sometimes severe problems of internal order created by kidnappings and political murders by a variety of left and right extremist groups. Throughout the fall and winter of 1976-1977, the reform government coolly refused to allow itself to be provoked by outrages from small bands of either

extreme, while pursuing its program of legal and institutional reforms. The police were placed under new leadership, their policies were altered and their activities were curbed. Full civil rights were restored and, by the early spring of 1977, all political parties had been legalized except for a few tiny left-wing terrorist groups.

The only problem was the main Spanish Communist party (PCE) itself. (There are, in fact, a dozen or so Spanish Communist parties, all more or less at odds with the regular PCE.) Spain is the only Western country except Cuba to have lived, briefly and only in part, under a government in which the Communist party played a hegemonic role (Juan Negrín's Spanish People's Republic of 1937-1939). The brutality and intolerance of the Communists during the Civil War led most sectors of the Spanish left to adopt a virulent anti-communism by the time that the Civil War ended. During the 1960's, however, under the leadership of Santiago Carrillo, the PCE swung strongly toward what has since become known as "Eurocommunism" and the tactics of parliamentary democracy.

Although the PCE retains the concept of "democratic centralism" and a system of internal authoritarianism, it has gone even further than the Italian Communists in espousing external democratic principles. By 1977, it seemed on the verge of an open break with the Soviet Union. Conversely, there was a widespread belief among liberal and leftist opinion in Spain, and in West Europe as a whole, that the democratization of Spain could not be genuine and complete unless the Communists were legalized as well. The government officially legalized the PCE in April, 1977, incurring only relatively mild protest from the military; soon afterward, Spain's first democratic parliamentary elections since 1936 were scheduled for June 15.

#### COMPETING POLITICAL ORGANIZATIONS

Although political organizations had been forming and reforming themselves ever since the death of Franco (producing a total of more than 200 so-called "parties" by 1977), serious mobilization in most cases did not get under way until a few months before the elections. By the time that contest was announced, it had become clear that there would be five or six main contenders. Small extremist groups, neo-Franquist, neo-Falangist or the terrorist revolutionary left, could be easily discounted, because the new parliamentary reform established a list system of voting for provinces and large urban districts that favored broader parties and alliances. The main force on the parliamentary right was the Popular Alliance, a union led by seven former Franquist ministers (chief among them Fraga Iribarne) devoted to a kind of reformist Franquism that would save as much as possible of the old regime.

More moderate and nearer the center was a new coalition called the Democratic Center, formed in September, 1976, under the aegis of Areilza and Pio

Cabanillas (a former Franquist Minister of Information), which planned to vie for the broad centrist vote of the Spanish middle classes. After the elections were announced, Suárez himself decided to join forces with this confederation, now reconstituted as the Union of the Democratic Center (UDC), unofficially under his leadership.

Since the small Social Democratic groups had been unable to organize an effective party of their own—some of their elements choosing to join the UDC—the only other centrist forces were the equally divided Christian Democratic groups, which finally formed a coalition, “Equipo” (“Team”). The democratization of Spain, however, occurred too late for a Christian Democrat victory. By the 1970's, Spanish society was becoming more strongly secularized and the kind of appeal that proved effective in Italy in 1946 had scant resonance in Spain. Combined with the weak leadership and the internal bickering of the Spanish Christian Democrats, this lack of appeal resulted in their virtual annihilation in the elections.

The Left was divided into three different sectors: Socialist, Communist and the multiparty regionalist groupings. There are altogether about threescore Socialist parties in Spain, but the only one that counts is the main-line Socialist Workers party (PSOE), the direct descendant of Spain's original Second International Marxist Socialist party, first officially organized in 1888. The history of the PSOE is marked by persistent ambivalence between revolutionary Marxism and social democratic reformism. In 1931, the PSOE was the largest single political force in Spain, only to lose that position to political Catholicism and then veer toward what Socialist radicals called “Bolshevization,” thus playing a major role in provoking the Civil War. During the long opposition to the Franco regime, the Socialists often played second fiddle to the well-organized, well-financed Communists. The latter, however, were for long little more than a Soviet party in Spain, whereas the Socialists sustained their tradition as the main organized political voice of Spanish collectivism.

Reorganized in 1972 under vigorous and somewhat radical young leadership, the Socialists became extremely active after the death of Franco and mounted a very intensive electoral campaign, partly financed by West German and Venezuelan money. Though the PSOE leadership has officially defined the party as a “Socialist, not a social democratic, party,” their electoral campaign was effectively ambiguous, in the best tradition of this ambivalent organization. The young secretary general, Felipe González, projected a very attractive image as the energetic leader of a potentially radical but not irresponsible leftist opposition to the new liberal monarchy.

The outcome of the voting on June 15, 1977, was a disappointment for the extreme Left and the extreme Right, a total disaster for the Christian Democrat

coalition and a major victory for the moderate Right and moderate Left. With official support and the backing of national television, Suárez's UDC came in first, with 34 percent of the popular vote and 47 percent of the parliamentary seats, thanks to the majority list voting system. The big surprise winners were the Socialists, who won 29 percent of the popular vote—far more than they won in 1931 or 1936—and benefited from the structure of the voting system to the extent of garnering nearly 34 percent of the parliamentary seats.

By contrast, the showing of the Communists, who won 9.2 percent of the vote and 5.7 percent of the seats, was decidedly poor, far below the 15 percent polled by Stalinist Communists in neighboring Portugal. Given the opportunity to vote for a strong non-Communist left, many blue-collar Spanish workers refused their support to Communists. Initially, the Eurocommunist tactic had been a relative failure, and in some quarters memories of the PCE's Stalinist past remained too vivid. The right-wing Popular Alliance was even less successful than the Communists, winning 8 percent of the vote and 4.6 percent of the seats.

The other surprises in the elections were the relative weakness and the moderation of the regionalist vote. A moderate coalition of liberal Catalanists won only 10 seats in Catalonia compared with 15 for the Socialists and 9 for the Communists. Similarly, in the Basque country, the largest Basque nationalist party, the historic PNV, only tied the Socialists, with 8 seats apiece. In Galicia, home of the third largest regionalist movement, the elections were largely swept by Suárez's UDC and the same was true in the Canary Islands, focus of Spain's latest regionalist movement, where several months earlier terrorism had been indirectly responsible for the deaths of nearly 600 people.

Since the overall results were comparatively moderate, disturbances were relatively slight and satisfaction was expressed about the fairness of the balloting and tabulation—though not exactly of the entire electoral system—the outcome was hailed in Spain and throughout the Western world as a great victory for democracy. In the immediate sense, this was undoubtedly correct, but the broader question of the future remained.

The relative victory of the UDC was a political victory for Suárez (and for Juan Carlos). Though the UDC fell short of a parliamentary majority, it was easily able to form an alliance with small centrist groups to provide the votes that enable the government to have a chance of completing a full parliamentary term until 1981. The Socialist (and general leftist) claim that the

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*"In view of a protracted dictatorship that fostered monopolies, established captive African markets, suppressed labor activities and squandered billions of escudos on a debilitating colonial war, Portugal's problems are no surprise."*

## Portugal's Crisis

BY GEORGE W. GRAYSON

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**O**N April 25, 1974, Portugal's 48-year-old dictatorship collapsed when young officers of the Armed Forces Movement deposed Prime Minister Marcello Caetano and President Américo Tomás.<sup>1</sup> In the wake of the overthrow, a carnival-like atmosphere enveloped Lisbon: citizens frolicked in the streets with beret-wearing soldiers; students sped through the capital in commandeered police cars; and red carnations appeared everywhere to become the symbol of the "Revolution of Flowers."

The celebrations have long since ceased. Crowds in the street are now likely to be shoppers queuing up for scarce items. After more than two years of haphazard military rule, a new constitutional structure has been erected, complete with a President, a Prime Minister, and a National Assembly. But the hand of the *ancien régime* lies heavy upon this Iberian nation; the new government still struggles to modernize an archaic economy whose residual strength is sapped by revolutionary excesses, sharply higher energy costs and the international recession.

Mário Soares, the Socialist leader who serves as Portugal's Prime Minister, often describes the aims of the 1974 coup as the three "D's"—decolonize, democratize and develop. The first aim was accomplished with the granting of independence to the African nations of Guinea-Bissau (September, 1974), Mozambique (June, 1975) and Angola (November, 1975). The second aim was achieved through the popular selection of a constituent assembly, the drafting of a new fundamental law, and the election of a National Assembly, a President, and municipal officials. The third "D," however, has eluded Soares's government; on the contrary, economic conditions are harsh and bankruptcy has been avoided only by massive infusions of foreign assistance.

<sup>1</sup>For an analysis of the coup d'état, see Kenneth Maxwell, "The Thorns of the Portuguese Revolution," *Foreign Affairs*, vol. 54 (January, 1976), pp. 250-270; and my "Portugal and the Armed Forces Movement," *Orbis*, vol. 19 (Summer, 1975), pp. 335-378.

Indicators of economic malaise are ubiquitous. The country's inflation rate, the highest in the Western world, was 26.8 percent in 1976, and is expected to surpass 35 percent in 1977. Unemployment afflicts approximately 17 percent of the nation's 3.2 million active labor force, and underemployment is extremely high in tourism, government service, and the agriculture that employs one-third of the country's workers. The trade deficit in 1976 reached \$1.5 billion, a record level, as Portugal purchased twice as much foodstuff as she sold. These conditions have inspired graffiti on walls and buildings throughout Lisbon, which say: "Starvation is just around the corner." Those who have retained a sense of humor under difficult circumstances ask the difference between an optimist and a pessimist. An optimist, so the story goes, believes that all Portuguese will soon be eating horse droppings, while a pessimist insists there will not be enough to go around.

Politicians prefer to whet appetites with promises of an improved tomorrow rather than demanding abstinence and sacrifice today. Soares is no exception. During his first few months in office, he resisted needed austerity measures. Then, on September 9, 1976, prodded by President Antônio Ramalho Eanes, who was increasingly alarmed at the economy's continued stagnation, the 53-year-old bibliophile announced a series of reforms. Designed to improve the country's balance of payments, the program imposed a modest (20-30 percent) surcharge on general consumer imports and a major levy (60 percent) on imported luxuries, required a deposit equal to 50 percent of the value of luxury items, allowed the government to fix quotas on non-essential imports, and created a national council to supervise prices and incomes.

Six months later, as conditions continued to worsen, additional steps were taken. To stimulate exports, attract tourists and encourage investment in Portugal by emigrants, the escudo was devalued 15 percent (\$1.00 = 38 escudos). The government also restricted wage increases to 15 percent, offered tax incentives to firms selling goods and services abroad, and imposed price

controls on a "shopping basket" of fuels and foodstuffs: Moreover, it boosted the rediscount rate from 6.5 to 8 percent, the sales tax on ordinary goods to 12 percent, and the levy on luxuries to 50 percent. The package included provisions to encourage private savings.

Thus far it is difficult to determine the effect of the reforms, in part because a flood of imports entered the country before the last measures were taken. It is evident, however, that the inflation rate will not fall as Soares had hoped. This will make it difficult for him to continue to restrict wage increases as part of a tripartite social contract among the government, organized labor and employers.<sup>2</sup> Still, the indefatigable Prime Minister has continued to preach the message that only through a wage ceiling can the nation avoid the spiral of devaluation, price increases, wage hikes, more inflation and further devaluation.<sup>3</sup> Even the regime's most ardent supporters, those who take heart from the increased tourism and the upswing in remittances from Portuguese living abroad in 1977, believe that the current austerity measures must be deepened before economic conditions improve.

The 1974 coup d'état brought kaleidoscopic changes in the politics of a nation that had been gripped by a dictatorship for nearly a half a century. No fewer than six provisional military-dominated governments attempted to run the country before the June, 1976, election in which Eanes captured 61.5 percent of the ballots to become Portugal's first democratically elected President in modern memory.

Exuberant support from Portugal's three major political parties—the Socialists (PS), the moderate Social Democrats (PSD), and the right-leaning Democratic Center party (CDS)—contributed to Eanes's impressive victory, as did the backing of a broad segment of the military. But the stern, aloof army chief of staff subsequently developed a broad popular following with his pledge to promote social democracy, defend the new constitution, quell insurrection activity and preserve law and order.

Immediately on his inauguration on July 23, the day on which he assumed the additional post of armed forces chief of staff, Eanes named Soares Prime Minister. Since then, the two men have worked closely together: Eanes benefits from Soares's three decades of political experience, while the popular Prime Minister is aided by the President's good judgment and thorough knowledge of the Portuguese military.

Soares has invited into the Cabinet only members of

his own Socialist party, military officers, and technocrats. Although the Socialists hold a minority of seats (107) in the 265-member Parliament, the Prime Minister has rejected suggestions that the Social Democrats (73), the CDS (42), or the Communists (40) be enlisted in a coalition government. Instead, he has pursued a strategy of shifting coalitions, seeking support from different parties on each piece of legislation. Such an approach sometimes produces strange bedfellows; for example, changes in the agrarian reform law were passed in mid-1977 over the opposition of the CDS and the Communists (PCP), thanks to the backing of the Social Democrats.

As a moderate, Soares must constantly fend off attacks from the Right, which charges his government with having "fallen asleep" when it comes to combating crime and inflation,<sup>4</sup> and the Left, which accuses him of pursuing a "policy of capitalist, landowner and imperialist recovery."<sup>5</sup> In addition, opposition to the perceived slowness of the pace of reform has erupted within his own Socialist party. In the summer of 1977, the Social Democrats and the CDS, which together boast eight seats more than the Socialists, publicly voiced displeasure at Soares's use of them as "alternate lovers." To counter the Prime Minister's strategy of shifting coalitions, in mid-1977 the two parties announced the formation of a "democratic convergence," defined as "a substantial understanding among parties having the same concept of democracy, which may or may not be expressed directly as a government platform."<sup>6</sup> But this political understanding proved short-lived; the Social Democrats subsequently gave Soares votes in Parliament both for the agrarian reform and a bill to compensate owners of nationalized property.

If Soares cannot cope with increasingly intractable economic problems, Diogo Freitas do Amaral, the astute head of the CDS, hopes that his party will be invited into the Cabinet as part of a "presidential majority," which will work closely with Eanes. The PSD also looks forward to entering the government.

On the Left, Communist leader Alvaro Cunhal, who scorns the CDS and the PSD as "reactionary fascist forces," once talked wistfully of his party's governing in harness with the Socialists. Since the passage of the agrarian reform, the white-maned Marxist leader has declared his party's complete opposition to the Socialist regime, calling for the dismissal of Parliament, and urging a new national election. Meanwhile, Cunhal has made it clear that the Communists, who dominate Portugal's labor movement and enjoy strong support in the South-Central Alentejo "wheat belt," are prepared to provoke strikes and demonstrations if Soares's policies veer too far to the right. Efforts like the work stoppages called in early 1977 to coincide with the Socialist Prime Minister's visit to major European capitals have been only partially effective, because the PCP lacks full control over the country's workers.

<sup>2</sup>The *Financial Times* (London), March 14, 1977, p. 12.

<sup>3</sup>Ibid.

<sup>4</sup>CDS leader Diogo Freitas do Amaral quoted in Foreign Broadcast Information Service, *Daily Report* (Western Europe), May 24, 1977, p. M-1.

<sup>5</sup>PCP Secretary-General Alvaro Cunhal quoted in *ibid.*, June 21, 1977, p. M-1.

<sup>6</sup>Ibid., June 1, 1977, p. M-2.

As Soares, perhaps belatedly, seeks solutions to Portugal's economic problems, President Eanes has begun to play a more assertive political role. He garnered a great deal of publicity in May as a result of his participation in the NATO summit meeting in London and his four-day visit to Spain, with which Portugal is developing closer relations. The President seems to have confidence in his understanding of politics and is believed to have encouraged Soares to announce sweeping austerity measures and to bring more technicians into a Cabinet that is short on talent. As he continues regular consultation with key party leaders at Belem Palace, Eanes has obliquely indicated a willingness to reshuffle the Cabinet if economic conditions fail to improve. Even if more technical experts—or representatives of the PSD and CDS—were brought into the government, Soares would no doubt be asked to remain as Prime Minister. According to a public opinion survey published in the July 2, 1977, issue of *Expresso*, a highly respected Lisbon weekly, the Socialist leader remains (along with Eanes) one of the most popular figures in the country.

While sharpening their criticism of the government, the major parties of the Left and Right will avoid obstructionist policies that, in the long run, might discredit the fragile constitutional regime. Portugal's opposition leaders realize that undermining civilian rule could activate the barracks, thereby threatening a return to authoritarianism.

The growing rate of electoral abstention may already betoken some disenchantment with politics. The percentage of eligible voters who failed to cast ballots has risen from 8 percent in the 1975 constituent assembly contests, to 16 percent in the April, 1976, parliamentary elections, to 25 percent in the June, 1976, presidential balloting, to 35 percent in the December, 1976, municipal voting. The decline may also be explained by the fact that voting is no longer a novelty, by the frequency of elections, and by the complicated procedure used in the municipal contests.

At the margin of politics is the military, segments of which toppled the dictatorship and ran the country for 28 months thereafter. The armed forces in Portugal have a more important formal position than in any other West European nation; the 1976 constitution gives their

<sup>7</sup>Two moderately leftist officers (Brigadier Generals Manuel Franco Charais and Pedro Pezarat Correia) gave up their commands to retain Council membership; in contrast, two conservatives (General Aníbal Pinho Freire and Brigadier General Antônio Pires Veloso) resigned their political posts to keep their commands. See *Facts on File*, October 2, 1976, p. 733.

<sup>8</sup>The income figures are based on 1964 data reported in José Luis Ferreira Mendes, "Regional Planning for Balanced Social and Economic Development: A Portuguese Case Study" (doctoral dissertation, University of Wageningen, 1974), p. 98. As a result of gradual economic development and mounting inflation, these figures are much higher now.

Revolutionary Council the right to "review" or veto actions taken by the National Assembly. Despite this mandate, a confluence of factors has persuaded the council to assume a low profile. First, while dominated by moderates, the Revolutionary Council is riven by philosophical differences and personality conflicts. Second, as chairman, President Eanes has stressed the importance of civilian politicians, while deemphasizing the council's mission. Third, Eanes has prohibited officers from holding both field commands and council posts, a move that has further attenuated the body's influence and has led to the resignation of commands by two Leftist officers.<sup>7</sup> Fourth, the military is now only one-fourth its size at the time of the coup, when 201,000 men were in uniform, and the number may decline further within several years. Although an economic collapse could produce enough political instability to draw the military back into politics, most officers realize that the economic assistance from the United States and West European countries so vital to Portugal's future would be halted if a praetorian regime reemerged in Lisbon.

### SOCIAL QUESTIONS

A need to revise the hastily decreed social laws of the post-coup military regime has greatly complicated Soares's task of governing Portugal. Especially challenging has been his goal of altering reforms with respect to landholding, corporate ownership, and labor unions.

An analysis of Portugal's agrarian problems must begin with a description of the country's two most important farming areas: the "north," the region above the Tagus River that bisects the country; and the "south," which lies below the Tagus. The north, portions of which eluded conquest by the Arabs during their 700-year occupation of Iberia until 1492, is known for its Catholic, conservative pre-industrial values and its opposition to Lisbon's centralizing, modernizing impulses. Its Catholicism is accentuated by the presence at Fatima of a shrine where the Blessed Virgin is widely believed to have spoken to three shepherd children in 1917. This rugged mountainous region is quilted with small, subsistence family farms, whose frugal, cautious owners display a fierce sense of independence much like the French of Britanny and the Vendée. Several crops, including corn, potatoes, and grapes, are raised here, and the soil is fairly intensively cultivated. Yet there is substantial underemployment, and both productivity and yearly per-capita income (\$285) are low.<sup>8</sup> It was in the north that the movement to oust the pro-Communist government of Premier Vasco Gonçalves began in mid-1975; Gonçalves was forced from office on August 29, 1975.

In contrast, the south is dominated by large grain-producing estates that stretch across much of the region's flat, arid surface. The presence of latifundia,

many of which belong to absentee landlords, is explained by climate, terrain, and the decision of the Portuguese monarchy to grant nobles extensive holdings as an incentive to reconquer the south from the Arabs, whose arrival had precipitated the flight of thousands of families to the northern mountains. The Gonçalves regime focused its agrarian reform on the Alentejo by seizing farms in excess of 1,750 acres and by looking the other way when penurious farm workers occupied smaller holdings. Before the Marxist Prime Minister left office, an estimated 2.25 million acres were taken over and organized by PCP militants.

Despite bumper harvests in 1975 and 1976, agricultural output fell precipitously in 1977 as wheat production declined from 600,000 to 320,000 tons. Fearful that their lands would be seized by disgruntled workers, many owners had reduced their plantings for the 1977 harvest; others, anxious to produce, had difficulty obtaining necessary credit for seeds, fertilizer, and equipment. Members of Soviet-type cooperatives formed on expropriated estates lacked the expertise to improve production, often slaughtered breeding stock to provide food for their families, and devoted countless hours to political debate and recriminations. As a result, food imports in 1976 exceeded \$775 million, approximately \$90 for each of Portugal's 8.5 million inhabitants.

The Socialist government determined that the ill-planned agrarian reform of 1975 would have to be slowed or halted lest imports devour all of the country's meager foreign exchange and gold reserves. Also of concern was growing Communist strength among the Alentejo's downtrodden masses. In September, 1976, the government returned 101 small- and medium-sized farms in that region to their owners from whom they had been unlawfully taken. Because of his persistent opposition to the return of properties, Agriculture Minister Antônio Lopes Cardoso resigned on November 3, 1976, and subsequently excoriated Soares for "betraying" the Socialist party's goals. His successor, Antônio Barreto, has shown himself to be a tough political fighter and pragmatist. While reaffirming a commitment to rural reform, the new minister continued to return illegally seized farms, advocated compensation for expropriated estates, raised the minimum size of holdings exempted from the agrarian reform, and suspended credits to agricultural cooperatives until they reveal how monies already allocated to them under the reform program have been used. A highly respected source reports that Barreto's aim is to weaken the collectives, erode the PCP's power base, and promote small- and medium-sized farms like those found in northern Europe.<sup>9</sup>

Even though most banks, iron and steel firms, and

shipbuilding and transportation companies that were nationalized will remain in government hands, Soares has moved to return some corporations that were illegally taken over during the Gonçalvist period. To stimulate investment and output, Soares hopes to encourage the reentry into Portugal of many owners, managers, and entrepreneurs who fled as Leftist workers—often aided and abetted by government officials and the military—took possession of their factories or offices, diminishing productivity and bringing chaos to industrial relations. Despite the new government's assurance that property rights will be restored and respected, it has been difficult to entice industrialists and businessmen back to Iberia from Brazil, South Africa, the United States, and other countries where they are attempting to begin a new life.

The potential for industrial disruption is enhanced by the presence of the Communist-controlled Intersindical, which was recognized by the revolutionary government as Portugal's sole labor confederation. Through workers' commissions, this organization gained a stranglehold on many industries. Three months after taking office, Soares revoked the law that gave Intersindical its preferred status. He also made it somewhat easier for employers to dismiss workers, established a 40-to 45-hour work week, severely restricted overtime pay, placed tighter controls on the use of sick leave, and limited fringe benefits to 50 percent of an employee's basic wage.

In mid-1977, the Prime Minister secured passage of bills to regulate strikes and workers' commissions. The strike legislation, passed with Communist votes, forbids lockouts and permits peaceful picketing. But employees can no longer demand strike wages, as they did under Gonçalves, and even during legal work stoppages they must provide for security and other essential services. The companion bill, supported by the CDS and the Social Democrats, provides for the election by secret ballot of worker representatives who must be consulted on matters relating to pay and working conditions. While privy to information on their firm's performance, they will be excluded from decisions on the day-to-day management of the company, investment matters, and market policy.<sup>10</sup> These measures have enhanced discipline in the work place, as evidenced by the decline in absenteeism from 25 percent (1976) to 8 percent (1977). Still, the majority of Portugal's organized workers are affiliated with Communist unions. Intersindical has simply changed its name to the General Confederation of Portuguese Workers. One of the failures of the governing Socialist party has been its inability to make significant inroads in organized labor. Thus the Communists still control an instrument capable of vexing economic disruption.

#### FOREIGN AFFAIRS

The central goal of Portuguese foreign policy is integration into West Europe. The leaders of Portugal, a

<sup>9</sup>Manchester Guardian Weekly, July 31, 1977, p. 9.

<sup>10</sup>Ibid.

country long considered a feudal, authoritarian back-water, look forward to the day when they are esteemed as active partners in the continent's political affairs and their nation is a full participant in the European Economic Community (EEC).

That Portugal has created a parliamentary democracy, committed herself to respecting civil liberties, and permitted a free press has impressed leaders throughout West Europe. To express appreciation for the democratic changes and to fortify the Socialist Cabinet against extremist attacks, members of the EEC have made available millions of dollars in assistance through the European Investment Bank. On September 22, 1976, Portugal was admitted as the nineteenth member of the Council of Europe, often described as the "conscience of European democracies."

Greater Portuguese participation in NATO has also been encouraged. Because of the African wars, which prompted the United States and several European states to slap an arms embargo on Portugal, the dictatorship failed to meet its nominal commitment of two divisions to NATO. Soon after the 1974 coup, the country was excluded from NATO's Nuclear Planning Group because of the presence of Communists in key positions. With the advent of the Soares regime, Washington and Bonn began to supply armor, training planes and jet fighters. They recognize that the Portuguese army, West Europe's only force with extensive battlefield experience, must convert its capability from jungle warfare to the defense of the continent against a westward lunge by the Warsaw Pact nations. Crucial to this role is a Portuguese airborne brigade, which can be deployed anywhere in West Europe in a few hours.

What are the prospects for Portugal's entry into the Common Market? On September 20, 1976, Foreign Minister José Medeiros Ferreira informed his EEC counterparts that his country wished to become a member as soon as possible—a goal reiterated the following February when Soares toured the capitals of the nine Community members. While anxious to lost the star of Portuguese democracy, the Common Market members will probably postpone deliberations on Portugal's membership until 1978, when it can be considered along with the applications of Greece and Spain. Assuming that favorable action is taken, up to ten years may be required before the Lisbon regime achieves full membership. A long transitional period is required for Portugal's economy—especially her agrarian sector and small- and medium-sized companies—to meet the competition that tariff removal would entail.

Complementary needs have drawn Portugal and

the United States closer together: the former desperately requires economic assistance; the latter wants to promote order along the western flank of the Mediterranean rim that may be destabilized by a Leftist victory in the 1978 French elections, the increasing importance of the Communist party in Italy, and the possibility of upheaval in Yugoslavia when Marshal Tito dies. Indeed, United States President Gerald Ford termed the emergence of democracy in Portugal a "success" for American foreign policy during an October 8, 1976, debate with Democratic presidential nominee Jimmy Carter. Washington has poured millions of dollars into Lisbon to keep the Portuguese economy from collapsing. During fiscal year 1977, the United States government made available to Portugal \$300 million in temporary credits, \$70 million in Public Law 480 surplus agricultural products, \$60 million in development grants and loans, and \$32.25 million in military assistance. For fiscal year 1978, President Carter, who has written other industrial powers urging support for Portugal's Socialist government, has supported legislation to provide \$300 million in medium-term aid (to assist Portugal with balance-of-payments problems) and \$25 million in military aid.

Soares demonstrated his appreciation for United States assistance by assuring the Americans that they could continue to use the Lajes base in the Azores and by increasing his country's participation in NATO, a move urged by the Portuguese military, which hopes for higher professional status and a clear European defense role. Washington was also pleased by Lisbon's decision to elevate its diplomatic representation in Israel to the ambassadorial level. This initiative, which brought loud grumbles from the Arab nations on which energy-poor Portugal is dependent, was apparently motivated by Soares's commitment to the program of the Socialist International, which endorses full relations with Israel. Foreign Minister Medeiros Ferreira defended the step as an "act of sovereignty," noting that Portuguese embassies have been opened in 30 countries—including the Soviet Union—since 1974.<sup>11</sup>

With respect to Portugal's erstwhile African territories, ties with Angola are improving, and relations with Guinea-Bissau, Cape Verde and São Tomé have been termed "excellent." In contrast, the Foreign Minister characterizes relations with Mozambique as "bad."<sup>12</sup> This negative assessment springs from the Maputo regime's massive expulsion of whites—over

(Continued on page 179)

**George W. Grayson** visited Portugal following the 1974 coup d'état. He is the author of *El Partido Demócrata Cristiano Chileno* (Buenos Aires: Editorial Francisco de Aguirre, 1968) and numerous articles on Latin American and Iberian affairs, and lectures regularly at the National War College and the Foreign Service Institute of the Department of State.

<sup>11</sup>This response came in an extremely candid interview with the Foreign Minister that appeared in *Expresso* (May 18, 1977) and was reprinted in Foreign Broadcasting Information Service, *Daily Report* (Western Europe), May 27, 1977, pp. M-1—M-12.

<sup>12</sup>*Ibid.*, p. M-6.

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## BOOK REVIEWS

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### ON EUROPE

**WESTERN EUROPE: THE TRIALS OF PARTNERSHIP.** Edited by David S. Landes. (Lexington, Mass.: D.C. Heath and Company, 1977. 406 pages and index, \$19.95.)

The changing United States-West European relationship and the problems of West Europe itself are explored at length in this well-written book edited by David Landes. Except militarily, the United States is no longer cast in the role of protector of the West European countries and is now only a troubled partner. "No other region [West Europe], except for the United States itself, contains so large a pool of highly educated and skilled persons and such a large stock of the most up-to-date plants and equipment. Western Europe is one of the great workshops of the world. It is also one of the few regions of the world that is capable of feeding itself and more."

The geographic, political, economic and sentimental ties connecting the United States with West Europe were strongest during and just after World War II. They have altered since that time in many ways and with varying degrees of intensity. European countries have changed as well, tending to become more unified politically and economically. The oil crisis of 1973, however, showed a large element of every-man-for-himself in the ways the various countries dealt with the oil shortage. This type of national interest reasoning prevents a more successful Common Market and delays real progress toward European unity.

The United States and West Europe are "wedded to each other for better or worse . . . and there does not seem to be an alternative." Landes and the other contributors to this work are mildly hopeful of better United States-West European working relations in the future.

O.E.S.

**THE LAST KAISER: A BIOGRAPHY OF WILHELM II.** By Tyler Whittle. (New York: Quadrangle Books, 1977. 368 pages, reference notes, illustrations and index, \$15.00.)

Tyler Whittle writes an entertaining history of Kaiser Wilhelm II, during whose lifetime the entire political climate of Europe changed.

The book is a well-documented and even sympathetic portrait of the man who led the expansion and modernization of the Second Reich; it includes interesting anecdotes about many of Europe's royalty. Whittle contrasts the years of Germany's glory with

the years of exile the Kaiser spent in Holland after 1918, an exile that ended with Wilhelm's death after the start of World War II.

O.E.S.

**POLICY-MAKING IN THE EUROPEAN COMMUNITIES.** Edited by Helen Wallace, William Wallace and Carole Webb. (New York: John Wiley & Sons, Inc., 1977. 341 pages and index, \$21.95.)

The editors endeavor to "enable the student of European Communities" "to grasp the range and diversity of Community activity and to gain . . . a more balanced view of how the Communities operate in practice," by offering a wide selection of case studies.

This is a highly technical study of European communities that includes studies of energy, foreign and economic policies and the effects of these policies on national and international politics.

O.E.S.

**ARMS CONTROL AND EUROPEAN SECURITY.** By Joseph I. Coffey. (New York: Praeger Publishers, 1977. 271 pages, appendix, selected bibliography, tables and index, \$18.50.)

In the past 30 years the NATO allies and the U.S.S.R. "have expended vast sums on the development of new weapons and the maintenance of large forces in an effort to ensure their security." It is Coffey's thesis that, although Europe is virtually an "armed camp," security has not been achieved although stability has perhaps been reached. He details the search for military security in Europe and states his reasons for believing that "East-West security cannot be achieved by any single policy but must be sought in a variety of ways. . . ."

O.E.S.

**THE IMPACT OF HITLER: BRITISH POLITICS AND BRITISH POLICY 1933-1940.** By Maurice Cowling. (Chicago: The University of Chicago Press, 1977. 445 pages, bibliography and index, \$7.95, paper.)

Cowling writes of the effect that British party politics had on foreign policy and vice versa during an unusually trying period of British history, the eight years prior to May, 1940, when Prime Minister Neville Chamberlain's government fell. Cowling has had unlimited access to Chamberlain's papers and appears to defend Chamberlain's policies, including the Munich Agreement. The author demands from his work "as dispassionate a language in writing about Chamberlain . . . as in writing about Churchill . . . ." He attempts to show that the final British decision to obstruct Adolph Hitler "was a facet of the

way . . . politics were conducted in the shadow of 'British democracy.'

Heavily annotated, this scholarly work presents persuasive arguments in support of Chamberlain's foreign policy.

O.E.S.

**A LIFE APART: THE ENGLISH WORKING CLASS 1890-1914.** By Standish Meacham. (Cambridge, Mass.: Harvard University Press, 1977. 272 pages, illustrations, notes and index, \$12.50.)

Meacham writes of the "patterns of working-class consciousness and working-class life at the end of the Victorian era" as he perceives them. In this period, England was one of the wealthiest countries in the world, but the large majority of the laboring classes were poorly and irregularly employed and lived lives of constant economic deprivation. They existed in miserable dwellings, ate badly and had almost no medical care. They developed strong neighborhood and family ties and clung to what security they had in the past as an "anchor against an even more uncertain future." Compared to the life of the British establishment, these ironworkers, platemakers and maid-servants lived in a world apart. It is hard to comprehend the vast gulf separating the British working class of this period from middle and upper class English society.

Quoting survivors of this way of life as well as contemporary texts, Meacham gives a vivid picture of a way of life that still affects British society.

O.E.S.

**YEARBOOK ON INTERNATIONAL COMMUNIST AFFAIRS: 1977.** Edited by Richard F. Staar. (Stanford, California: Hoover Institution on War, Revolution and Peace, 1977. 612 pages, select bibliography and index, \$30.00.)

All research-oriented institutions will welcome this latest edition of the indispensable reference work edited by Richard Staar and published by the Hoover Institution, which deals with Communist parties and movements throughout the world during the calendar year 1976. The volume is a convenient and reliable way of keeping abreast of the ups-and-downs and ins-and-outs of international Communist activities.

The sections on the Middle East and Africa, while small, provide a capsule analysis of developments in Egypt, Iran, Iraq, Israel, Jordan, Lebanon, the Sudan, the Maghreb, and Syria, among others.

Alvin Z. Rubinstein  
University of Pennsylvania

**ON THE EDGE OF DESTRUCTION: JEWS OF POLAND BETWEEN THE TWO WORLD WARS.** By Celia S. Heller. (New York: Columbia University Press, 1977. 369 pages, index, \$14.95.)

The situation of Jews in Poland between the two

World Wars is treated with sensitivity and insight in this searing critique of Polish institutions and government practices. Oppression and abuse were widespread, and assimilation was limited to the few who sought to become secularized and Polonized. The sections on the family, culture, and generational clashes add a new dimension to our understanding of the everyday life of Polish Jews.

A.Z.R.

## ALSO RECEIVED

**HITLER'S WAR.** By David Irving. (New York: The Viking Press, Inc., 1977. 926 pages, notes and index, \$17.50.)

This is a massive study of Adolph Hitler during World War II. Many of the documents used as source material have not previously been available to scholars.

**THE DISTANT DRUM: REFLECTIONS ON THE SPANISH CIVIL WAR.** Edited by Philip Toynbee. (New York: David McKay Company, Inc., 1977. 192 pages and index, \$9.95.)

**BRITAIN AND AMERICA: AN INTERPRETATION OF BRITISH AND AMERICAN CULTURE 1945 to 1975.** By Daniel Snowman. (New York: New York University Press, 1977. 342 pages, sources and index, \$13.50.)

**MODERN GREECE: A SHORT HISTORY.** By C. M. Woodhouse. (London, England: Faber and Faber, 1977. 332 pages, bibliography, maps and index, \$6.95 paper.)

**BRITAIN SAYS YES: THE 1975 REFERENDUM ON THE COMMON MARKET.** By Anthony King. (Washington, D.C.: American Enterprise Institute for Public Policy Research, 1977. 153 pages, appendix and index, \$3.75, paper.)

**THE DISTANT DEMOCRACY: SOCIAL INEQUALITY, POLITICAL RESOURCES AND POLITICAL INFLUENCE IN NORWAY.** By Willy Martinussen. (New York: John Wiley & Sons, Inc., 1977. 246 pages, appendices and index, \$16.50.)

**ANTONIO GRAMSCI AND THE REVOLUTION THAT FAILED.** By Martin Clark. (New Haven: Yale University Press, 1977. 255 pages, selected bibliography and index, \$15.00.)

**BIGOTRY AND BLOOD: DOCUMENTS ON THE ULSTER TROUBLES.** By Charles Carlton. (Chicago: Nelson-Hall Inc., 1977. 160 pages and index, \$8.95.)

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## CURRENT DOCUMENTS

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*In a speech at the Southern Legislative Conference in Charleston, South Carolina, on July 21, 1977, United States President Jimmy Carter outlined his administration's view of United States relations with the Soviet Union. Excerpts of his speech are reprinted here:*

### President Carter on the Soviet Union

When I took office almost exactly six months ago, our nation was faced with a series of problems around the world—in southern Africa, the Middle East, in our relationships with our NATO allies, and on such tough questions as nuclear proliferation, negotiations with our former adversaries, a Panama Canal treaty, human rights, world poverty.

We have openly and publicly addressed these and many other difficult and controversial issues—some of which had been either skirted or postponed in the past.

As I pointed out in a recent press conference, a period of debate, disagreement, probing was inevitable. Our goal has not been to reach easy or transient agreements but to find solutions that are meaningful, balanced, and lasting.

Now, a President has a responsibility to present to the people of this nation reports and summations of complex and important matters. I feel more secure as President making decisions if I know that . . . the most difficult, the most complex questions that face me have been understood and debated by you and understood and debated by the Congress.

In the past I think our nation's leaders have been guilty of making decisions in secret, and even when the decision turns out to be the right one, it makes the President [and] the Secretary of State speak with a weak voice, when they speak alone.

Today I want to discuss a vitally important aspect of our foreign relations, the one that may most directly shape the chances for peace for us and for our children. I would like to spell out my view of what we have done and where we are going in our relations with the Soviet Union, and to reaffirm the basic principles of our national policy.

For decades the central problems of our foreign policy revolved around antagonism between two coalitions, one headed by the United States and the other headed by the Soviet Union.

Our national security was often defined almost exclusively in terms of military competition with the Soviet Union. This competition is still critical, because it does involve issues which could lead to war. But however important this relationship of military balance, it cannot be our sole preoccupation, to the ex-

clusion of other world issues which also concern us both.

Even if we succeed in relaxing tensions with the U.S.S.R., we could still awake one day to find that nuclear weapons have been spread to dozens of other nations who may not be as responsible as are we. Or we could struggle to limit the conventional arsenals of our two nations to reduce the danger of war, only to undo our efforts by continuing without constraint to export armaments around the world.

As two industrial giants, we face long-term, worldwide energy crises. Whatever our political differences, both of us are compelled to begin conserving world energy and developing alternatives to oil and gas.

Despite deep and continuing differences in world outlook, both of us should accept the new responsibilities imposed on us by the changing nature of international relations. Europe and Japan rose from the rubble of war to become great economic powers. Communist parties and governments have become more widespread and more varied, and I might say, more independent of one another. Newly independent nations emerged into what has now become known as the "Third World." Their role in world affairs is becoming increasingly significant.

Both the United States and the Soviet Union have learned that our countries and our people, in spite of great resources, are not all-powerful. We've learned that this world, no matter how technology has shrunk distances, is nevertheless too large and too varied to come under the sway of either one or two superpowers. And, what is perhaps most important of all, we have, for our part, learned, all of us, this fact, these facts in a spirit not of increasing resignation but of increasing maturity.

I mention these changes with which you are familiar because I think that to understand today's Soviet or American relationship, we must place it in perspective, both historically and in terms of the overall global scene.

The whole history of Soviet-American relations teaches us that we will be misled if we base our long-range policies on the mood of the moment, whether that mood be euphoric or grim. All of us can remember

times when relations seemed especially dangerous and other times when they seemed especially bright.

We've crossed those peaks and valleys before. And we can see that, on balance, the trend in the last third of a century has been positive.

The profound differences in what our two governments believe about freedom and power and the inner lives of human beings—those differences are likely to remain, and so are other elements of competition between the United States and the Soviet Union. That competition is real and deeply rooted in the history and the values of our respective societies. But it's also true that our two countries share many important overlapping interests. Our job—my job, your job—is to explore those shared interests and use them to enlarge the areas of cooperation between us on a basis of equality and mutual respect.

As we negotiate with the Soviet Union, we will be guided by a vision—of a gentler, freer, and more bountiful world. But we will have no illusions about the nature of the world as it really is. The basis for complete mutual trust between us does not yet exist. Therefore, the agreements that we reach must be anchored on each side in enlightened self-interest—what's best for us, what's best for the Soviet Union. That's why we search for areas of agreement where our real interests and those of the Soviets coincide.

We want to see the Soviets further engaged in the growing pattern of international activities designed to deal with human problems—not only because they can be of real help but because we both should be seeking for a greater stake in the creation of a constructive and peaceful world order.

When I took office, many Americans were growing disillusioned with détente—President Ford had even quit using the word—and, by extension, people were concerned with the whole course of our relations with the Soviet Union. Also, and perhaps more seriously, world respect for the essential rightness of American foreign policy had been shaken by the events of a decade—Vietnam, Cambodia, CIA, Watergate. At the same time, we were beginning to regain our sense of confidence and our purpose and unity as a nation.

In this situation, I decided that it was time for honest discussions about international issues with the American people. I felt that it was urgent to restore the moral bearings of American foreign policy. And I felt that it was important to put the U.S. and Soviet relationship, in particular, on a more reciprocal, realistic, and ultimately more productive basis for both nations. It is not a question of a "hard" policy or of a "soft" policy but of a clear-eyed recognition of how most effectively to protect our own security and to create the kind of international order that I've just described. This is our goal.

We've looked at the problems in Soviet-American relations in a fresh way, and we've sought to deal with them boldly and constructively with proposals intended

to produce concrete results. I'd like to point out just a few of them.

— In the talks on strategic arms limitations—the SALT talks—we advanced a comprehensive proposal for genuine reductions, limitations, and a freeze on new technology which would maintain balanced strategic strength.

— We have urged a complete end of all nuclear tests, and these negotiations are now underway. Agreement here could be a milestone in U.S.-Soviet relations.

— We're working together toward a ban on chemical and biological warfare and the elimination of inventories of these destructive materials.

— We have proposed to curb the sales and transfers of conventional weapons to other countries, and we've asked France, Britain, and other countries to join with us in this effort.

— We're attempting to halt the threatening proliferation of nuclear weapons among the nations of the world which don't yet have the ability to set off nuclear explosives.

— We've undertaken serious negotiations on arms limitations in the Indian Ocean.

— We've encouraged the Soviets to sign, along with us, the treaty of Tlatelolco, which would ban the introduction of nuclear weapons into the southern part of the Western Hemisphere.

— We have begun regular consultations with the Soviet leaders, as cochairmen of the prospective Geneva conference, to promote peace in the Middle East.

— We and our allies are negotiating together with the Soviet Union and their allies in the Warsaw Pact... to reduce the level of military forces in Europe.

— We've renewed the 1972 agreement for cooperation in science and technology, and a similar agreement for cooperation in outer space.

— We're seeking ways to cooperate in improving world health and in relieving world hunger.

In the Strategic Arms Limitation Talks (SALT)—confirming and then building on Vladivostok accords—we need to make steady progress toward our long-term goals of genuine reductions and strict limitations, while maintaining the basic strategic balance. We've outlined proposals incorporating significant new elements of arms control, deep reductions in the arsenals of both sides, freezing the deployment and technology, and restraining certain elements in the strategic posture of both sides that threaten to destabilize the balance which now exists.

The Vladivostok negotiations of 1974 left some issues unresolved and subject to honest differences of interpretation. Meanwhile, new developments in technology have created new concerns—the cruise missiles, the very large intercontinental ballistic missiles of the Soviets.

The Soviets are worried about our cruise missiles.  
(Continued on page 183)

## POLITICAL UNCERTAINTY IN FRANCE

(Continued from page 152)

into what many view as nationalistic economic ventures like the Concorde and the construction of nuclear reactors and reprocessors. The Concorde has proved to be a financial disaster, and France is under severe pressure to cut her sales of nuclear hardware abroad. Given the critical deficit in foreign trade, Giscard will find it difficult to comply with the pressure. Although he canceled a recent deal with Pakistan in the face of vigorous protests from the United States, he then entered an agreement with West Germany to produce reactors for the general export market.

In the end, of course, the key factor in French foreign policy is oil, and the exigencies of energy will limit Mitterrand's options—if he comes to power—as narrowly as it has Giscard's. This fact of life was graphically brought home by the Abu Daoud affair of January, 1977. Daoud, a leader of the terrorist group Al Fatah, who was suspected of planning the 1972 Olympics tragedy at Munich, was arrested in Paris for illegal entry under a false passport. Israel quickly issued a warrant for his arrest and asked French officials to hold him for extradition. Almost as quickly, the French courts ruled that Israel had no right in the case, since the alleged crime had not been committed on Israeli soil or by an Israeli citizen. A West German extradition request was also rejected on a technicality. Then, during a storm of international criticism, Daoud was hurriedly released.

Daoud's release simply underscored the extent of French dependence on Arab oil. More significant, no leading member of the opposition protested the government decision. There was silence from both Mitterrand and Marchais. As one observer suggested, a left-wing government would have had to take the same action, if it had not been bright enough to avoid arresting Daoud in the first place.<sup>3</sup> As long as France continues to depend almost wholly on imported oil for energy and as long as the Arabs control the oil supply, no French government will enjoy real freedom of action.

This leaves the issue of Eurocommunism, the term used to describe the tendency of West Europe's Communist parties to claim some degree of independence from Moscow. The word is popular these days, but its significance may well be exaggerated. It is easy to fill the air with protestations of autonomy, as Marchais and other Communist party leaders have been doing lately; without doubt, this improves the party's image at home and among France's democratic allies. But the world is still essentially divided into two camps; Europe is not nearly strong enough to play the role of a true arbiter; in a crisis, the French Communist party would still

choose Moscow. These facts will continue to frighten many Frenchmen, and will make the French Communists particularly difficult partners for Mitterrand in matters of foreign policy.

The problems, both domestic and foreign, that confront France along with most nations of West Europe, are as fraught with danger as any she has experienced since the late 1930's. It remains to be seen whether the legislative elections in March (if not before) can help resolve this new crisis or whether Giscard's anomalous situation—no matter which side wins—will merely launch one more electoral campaign: this one for the presidency when Giscard resigns or when his term runs out in 1981. France, it would seem, is sliding into a new era of continuing elections. ■

## THE POLITICAL TRANSFORMATION OF SPAIN

(Continued from page 168)

1977 elections should be considered elections for a constituent assembly, not a full-term Parliament, have been rejected. The Socialists themselves accepted no such argument when they were part of a victorious constituent coalition in 1931, and there was no reason for their rivals to accept different logic in 1977.

Whether the new Suárez parliamentary government can rule successfully for a full four years is another matter. Work on a formal new constitution will soon have to be completed, and the most important single remaining reform is some kind of measure for partial autonomy for Catalonia and the Basque country—and perhaps by extension for other regions as well—that should be presented to Parliament during 1978.

## ECONOMIC PROBLEMS

Aside from the regional question, the major domestic political issues of the late 1970's will be economic. Understandably, the first reform governments of Juan Carlos concentrated on political and institutional questions almost to the exclusion of pressing economic matters. As a result, the Spanish economy already suffering the effects of the 1973 West European recession, sank into severe stagflation during 1976. Industrial employment declined; production sagged; the balance of payments deficit reached alarming proportions; and by the time that elections were held in June, 1977, the annual rate of inflation was nearing 30 percent, worse even than Italy and Portugal. Industrial labor had taken advantage of the new freedom to force major wage and benefit increases, pushing up labor costs at least 27 percent in 1976, and management found it hard to take a firm stand to keep costs in balance.

There was widespread talk in government and in management of the need for a "social pact" and a new austerity program to promote the recovery of the once-booming Spanish economy, but the government post-

<sup>3</sup>Jane Kramer, *The New Yorker*, July 4, 1977.

poned unpopular decisions until after the elections. In the second Suárez Cabinet formed in July, 1977, a new vice presidency of government in charge of economic affairs was created for the respected economist Enrique Fuentes Quintana, who has the difficult task of directing the new austerity program and coordinating the other economic ministries. He introduced major features of the new policies in a national television address in mid-July. Most dramatic was an immediate 25 percent devaluation of the peseta, but this was to be followed by stringent new wage guidelines accompanied by business incentives and a further liberalization of long-standing financial restrictions. In keeping with the current economic programs of France, Italy and Portugal, the main target was inflation, not unemployment, but the program was sweetened for workers by prominent emphasis on a major progressive tax reform (for the first time in half a century) and extensive improvements in unemployment and social security benefits, to be administered by an expanded and much more heavily financed central state system.

The initial response of labor and leftist party spokesmen was not entirely clear. Many had been taking a hard line, pledging no social pact or economic agreement that did not include further wage increases for the lower paid sectors, new employment stimuli and more extensive measures of state socialization. However, Spanish labor, as in the past, does not speak with a single voice. The old state syndical system was dissolved in the spring of 1977, but it has been replaced by multiple and competing labor organizations, first of all by the Socialist UGT and the Communist-dominated Worker Commissions (CCOO). Such rivalry can lead to increasingly extreme positions, but in fact the first response to the government seemed relatively conciliatory.

#### A SLENDER MARGIN

The UDC plurality over the Socialists was less than five and one-half percent of the total vote, a slender margin easily subject to erosion, especially because the UDC is not a firmly organized and unified party but a loose coalition of small groups and notables that Suárez will have somehow to weld into a cohesive organization. Its lead in the 1977 elections was due in part to the genuine centrism and moderation of the Spanish middle classes but also in large measure to Suárez's special prestige for having led the democratization, bolstered by the authority of established government. Whether these advantages can be sustained in the face of the increasingly unpopular decisions that the Spanish government will soon have to take is at best a moot point. The next confrontation will occur when the first municipal elections are held, presumably in October, 1977. The Socialists will enjoy a formidable position in most of the larger cities, but they are currently riding the crest of a somewhat ambiguous op-

position role. When they have to assume more direct responsibility, the Socialists too may encounter problems of party unity and new mobilization.

It has been observed that the major Spanish political transitions of the twentieth century occur in the worst possible economic settings. The advent of the Second Republic coincided with the trough of the Great Depression and the general collapse of parliamentary government in southern Europe, while the almost completed democratization of the new monarchy has taken place in the wake of the major stagflation of the 1970's rather than in the great boom of the 1960's. Democratization has been carried out with not inconsiderable political skill, to which the overwhelming majority of Spaniards have responded with prudence and moderation, belying their supposed "unpolitical temperament."

Nonetheless, the structure of the new Spanish system has not yet taken complete form, and the party system itself is still in evolution. The relative insulation of Spain from foreign influence is ended, and the effects of any drastic changes or leftward swings in Italy or France will be strongly felt. Nearly all sectors of Spanish politics accept "Europeanization" and most Spaniards are eager for membership in the European Community, but in military matters nearly all the Spanish left is overtly or covertly neutralist. Like their neighbors in Lisbon, the current Spanish leaders are expecting further major assistance from the United States and possibly from the European Community to see them through their current economic difficulties; while on the other hand the Soviet Union has greatly expanded its own interest and activities in Spain.

The moderation manifest both by the government and by most Spanish people during the transition was no sham. Comparatively few Spaniards seek drastic change, but many want an improvement of their slowly deteriorating economic condition, a problem that will provide the immediate battleground for Spanish politics during the next few years. ■

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#### PORUGAL'S CRISIS (Continued from page 173)

600,000 refugees, most of whom came from Angola, have entered Portugal from Africa in the last three years—and Lisbon's subsequent noncompliance with pledges to provide economic and technical assistance to its former colony. Further complicating the relationship is the presence in Portugal of the Mozambique United Front, an organization dedicated to the overthrow of the African state's radical government.

#### CONCLUSION

In view of a protracted dictatorship that fostered monopolies, established captive African markets, suppressed labor activities and squandered billions of

escudos on a debilitating colonial war, Portugal's problems are no surprise. What is surprising is the country's ability to stay afloat economically while a parliamentary democracy takes root. Principal credit for these achievements must be given to Mário Soares's consummate skill at political compromise with groups on the Left and Right and inside his own Socialist party. But the country's political development will continue only if economic conditions improve; and improvement is contingent on the willingness of the long-suffering Portuguese people to submit themselves to severe austerity measures and the readiness of Portugal's allies to furnish large amounts of foreign assistance. ■

### ITALY: A NEW ADVENTURE

(Continued from page 164)

economic system, but also from her foreign dependence. Italy's economy has been weakened by the global economic depression and by oil price increases. Altogether, these circumstances have created unmanageable problems. From 1973 to 1976, Italy's foreign debt increased from \$7 billion to \$20 billion. Even though industrial production went up 29.5 percent in the period from January to July, 1976, inflation remains well entrenched. By the end of November, the country's annual rate of inflation had reached 20 percent. The cost of living has doubled, between 1970 and 1976, averaging a 10.9 percent rise a year. Compared to the period from 1956 to 1969, when the cost of living rose 3.7 percent a year, reaching an index of 160.56, the 1976 index has doubled, reaching 312.65.

Wholesale prices have risen at a rate of 17.5 percent a year. In turn, the economic market has had a direct effect on wages and salaries. In their contracts, Italian unions have automatic cost of living adjustments. Therefore, every jump in the cost of living is added automatically to real-wage increases. Since July, 1975, wage increments have received the following boosts: industry (22.4 percent); transportation (21.7 percent); commerce (17.4 percent); agriculture (20.4 percent); public employees (17.3 percent).<sup>25</sup>

Figures available for 1976 indicate that Italy's gross national product has passed 110,000 billion lire (over \$169 billion) with an economic growth of 3.5 percent. The trade deficit, up to November, 1976, totaled 4,751 billion lire (\$5.3 billion). Imports stood at 32,427 billion lire and exports at 27,676 billion. Imports increased 46 percent over 1975 and exports went up 35.5 percent for the same period. In his annual report to Parliament, the Foreign Trade Minister disclosed that Italy's indebtedness in 1976 amounted to \$12.9 billion in capital and \$3.4 billion in interest.

<sup>25</sup>Pietro Armani, "Indebitamento comunale e lotta all'inflazione," *La Voce Repubblicana*, October 22, 1976, pp. 1-4.

<sup>26</sup>Agenzia ANSA, no. 17, January 17, 1977, pp. 5-8.

<sup>27</sup>Agenzia ANSA, no. 327, November 22, 1976, p. 9.

Oil imports continued to be the main factor of the huge deficit. In 1976, Italy paid an oil bill of 5,970 lire (over \$7 billion). That year, Italy imported over 95 million tons of oil, of which 74.7 percent came from Arab countries and 20.8 percent from African nations. Without the oil bill, Italy's trade balance would have showed an overall surplus of 1,219 billion lire.

The nation's indebtedness is, however, guaranteed by \$2.3 billion in gold reserves and \$1.3 billion in foreign currency. Calculated at the current market price of \$146 an ounce, Italy's gold reserves are worth over \$11 billion.<sup>26</sup>

### AGRICULTURE AND THE EEC

Agriculture remains Italy's most critical economic sector. In the early 1960's, agriculture represented 14 percent of Italy's GNP. In 1972, it was only 8 percent. In the next three years, agricultural production increased only 1.5 percent annually. In 1976, it dropped 1.5 percent. This boosted the demand for more imports, especially within the area of the European Economic Community. Italy's trade deficit in agriculture in 1975 was 2,000 billion lire (\$3.3 billion) and in 1976, it reached 3,700 billion lire (\$4.3 billion). Meat, livestock, fish, cheese and other products account for the big deficit.

The imbalance between supply and demand in domestic agricultural products is due primarily to demographic and structural deficiencies. Over the past ten years, agricultural reorganization has led to a reduction in cultivated land (-18 percent), and therefore to a sharp drop in aggregate products like cereal crops, forage crops and sugar crops. This reduction has its side effects on the livestock sector, in which production dropped from 72 to 52 percent of the national demand.<sup>27</sup>

In 1977, Italy is fourth in nations importing agricultural products, after Japan, West Germany and Britain. She has even lost her position as the "great exporter in the world" of olive oil, wine and oranges.

While Italian industrial products are being exported all over the world, Italy's best outlet remains the European Economic Community. Since 1971, the EEC has absorbed 45 percent of all Italian products. The other members of the Community also know that Italy is one of their most important markets; Italy remains the fourth biggest export outlet for other Community members. A change in the Italian market would mean serious domestic unemployment for them. ■

*Erratum:* The editors regret that in the article by O. Edmund Clubb, "China After Mao," in our September, 1977, issue, on page 50, right column, lines 16-18, Wang Hung Wen and Chang Ch'un-ch'iao were incorrectly identified because of an editing error. Wang was party Vice Chairman; Chang was both Deputy Premier and Director of the PLA Political Department.

## THE U.S. AND WEST EUROPE

(Continued from page 148)

siderations apply in assessing the positions of the Italian and French Communist parties if and when they can exercise national power in their own societies. But for the immediate present, this schism in the ranks of continental Marxism cannot be ignored.

Second, even while most European leaders on the Social Democratic or Christian Democratic side of the political spectrum are wary of the intentions of Eurocommunist parties and the United States attitude toward them, the Carter administration can no longer exclude the possibility that the United States will be transacting business with European Marxists sometime. After all, if the United States can work with right-wing governments in Spain, Portugal, and Greece, why not with left-wing governments?<sup>9</sup>

Several concluding observations deserve mention. First, unlike the interwar period, there is little evidence that a change to another regime form (of a Marxist or a "Popular Front" nature) will be accomplished by a revolutionary breakthrough. The traditional Right is dead. The leaders of various Eurocommunist and Socialist parties have continuously pledged to respect the existing rules of the democratic game. In line with long-term alterations in mass attitudes toward economic power, religion's role in public life and the capabilities and obligations of modern government, political transformation in West Europe will undoubtedly take place within the framework of existing institutions.

Second, while the United States can play a negative role in this process, there is little the United States can do to change the direction of evolution in West Europe. A recourse to traditional intervention would be counterproductive to long-term American interest in Europe. And there is little, if any, public support in the United States for such a policy, except in the event of direct Soviet military intervention.

Finally, the emergence of Eurocommunism is a long-term process. Most Eurocommunist organizations have been active since the beginning of the twentieth century. Their ideological antecedents date back to the middle

<sup>9</sup>Two specific works by American analysts ought to be consulted in this area. Peter Lange, "What Is To Be Done—About Italian Communism?" *Foreign Policy*, no. 21 (Winter, 1975-76), pp. 224-240.

<sup>10</sup>See Richard Rose and B. Guy Peters, "Can Government Go Bankrupt? A Preliminary Inquiry into Political Overload" (Florence: European University Institute Colloquium, 1976); Daniel Bell, "The Future World Disorder," *Foreign Policy*, no. 27 (Summer, 1977), pp. 109-135; Samuel Brittan, "The Economic Contradictions of Democracy," *British Journal of Political Science*, part 2 (April, 1975), pp. 129-159.

<sup>11</sup>Sheldon Wolin, *Politics and Vision* (Boston and Toronto: Little, Brown and Company, 1960), p. 353.

<sup>12</sup>Bell, *ibid.*, p. 134.

nineteenth century. The United States should take these historical dynamics into consideration.

For these reasons, the United States should adopt a highly elastic and dynamic policy of accommodation with whatever force eventually comes to power in West Europe by constitutional means. There is no reason for abstention from the political dialogue now taking place in West Europe. But this is not the time for the United States to express partisanship.

A "non-partisan" approach toward the resolution of the European struggle would remove the new administration from the charge of excessive meddling in continental affairs; it would give the United States time to formulate a policy geared to change; it would improve the prospect for a real "national" debate in Europe about the future of European institutions.

Massive unemployment, high rates of inflation, and a disappointing record of economic expansion have influenced a body of writers who despair for the future of advanced democratic society in the West.<sup>10</sup> Government is "overloaded," argues Richard Rose. Daniel Bell concludes that the Western nation-state can no longer handle major problems of economic modernization and political legitimization. And Samuel Brittan fears for the very future of liberal representative democracy.

The Carter administration has been influenced by such thinking, but it has tried to convert this sense of malaise into a more dynamic conception of association in the West. In contrast to the Nixon-Kissinger conception of near exclusive bilateral diplomacy with the Soviet Union, the Carter administration has a different vision, involving a rededication to the principles of popular democracy as they have developed in West Europe and the United States and a more activist attitude toward the Western alliance, including Japan.

Two major problems face American and European policymakers. Over the next several decades, the major challenge for democratic regimes will be the production and division of the national economic product. The "revolution of rising entitlements," as Bell refers to it, will make this task terribly difficult.

Second, the demands of the fourth world for a more equitable distribution of the global economic product will create new strains for the Atlantic Alliance. Added to the new problems of complex interdependence facing all advanced industrial societies in the East and in the West, the North-South dialogue promises to make the search for Atlantic unity a frustrating process.

Do these potentialities portend the inevitable "sublimation of politics," or "(T)he absorption of the political into non-political institutions and activities"?<sup>11</sup> No. But neither is there serious question that while "it would be foolish, these days, to assert that economics determines politics . . . the economic context is the necessary arena for political decision to be effective."<sup>12</sup>

## BRITISH POLITICS IN 1977

*(Continued from page 155)*

opinion polls, and recently swept to an enormous victory in local government elections. They may well, therefore, form the next government. Nevertheless, the Labour reaction has been to continue traditional government approaches to policy.

Nationalist gains have led to some concessions to regionalism, but no major change. Defense burdens are being reduced but not in the context of any decisive conceptual rethinking or reevaluation of British goals. The European Economic Community has not brought any notable economic improvement; British participation has not been accompanied by any distinctive impact on the Community's institutions. Roy Jenkins, a man accomplished in British national politics, has recently become president of the Community Commission; interchange between the British and Brussels civil services may eventually have an impact on both. There has not, however, been any real change yet in British style of decision-making and policy formation.

The nature of these issues and the manner in which they are being addressed underline the importance of continuity and conventionality and the lack of striking departures from the status quo in Britain, which directly reflect the nature of decision-making and institutions in British government and politics. Samuel Beer has applied the terms "functional representation" and "party government" to describe the operation of modern Britain's interest group and party structures. In both areas, large, inclusive, well-disciplined groups dominate, with sufficient power to veto major policy departures and little incentive to sponsor such changes. In this context, the strong discipline of the major parties in Parliament is paralleled by the size and scale of the primary interest groups. Drastic movement in any direction from conventional policy thus faces strong structural elements that can be virtually guaranteed to provide resistance.

Beyond this, Britain's political culture historically has been averse to sudden drastic change. To be sure, particular governments in this century and in earlier periods at times passed sweeping social, economic and political reforms. Nonetheless, the British political style favors gradualism, incrementalism and partial reform instead of dramatic and sweeping change. Even when interest group structures were less inclusive and party discipline was less firm, the style of reform was the same. Britain's age of power and influence internationally did not correspond to different domestic institutions, but rather to different economic conditions, a different international system, and perhaps a different outlook.

What we are witnessing in British politics currently,

therefore, is the strength of established policy patterns. British politics lacks diversity but it does contain pressures from regional and industrial tensions that could lead to new political divisions and new policy departures. So far this has not happened; the basic national cleavage remains Tory/Labour; industrial relations have not been reformed; government power is not really being devolved to Scotland and Wales. Continuity with the past has been maintained at the price of an effective response to important problems and aims.

Does this mean that in the near future British politics and government will continue without major alterations? Probably. The British political system has shown a remarkable capacity to absorb conflicts rather than to solve them; tensions, however great, seem to stop short of creating basic new cleavage patterns or (except for Northern Ireland) inciting actual violence. The slow-motion character of the economic decline and its belated recognition are typically British. Should a truly charismatic figure emerge in the British Conservative or Labour party, this might bring a swifter and more thorough reform; but such a development does not appear to be likely. ■

## WEST GERMANY: A BALANCE SHEET

*(Continued from page 159)*

third world countries. In 1975, the West German government concluded a \$4.8 billion treaty with Brazil, agreeing to sell her eight nuclear power stations, a uranium enrichment plant, and a facility to reprocess spent fuel into plutonium, which could be made into weapons-grade atomic material. The United States did not object to the treaty at the time, but President Carter was critical of the reprocessing facility. The West German government argued that it had signed a legitimate contract, that it had included sufficient safeguards to prevent the plant from making atomic bombs, that many of the 60,000 German workers' jobs in the nuclear industry depended on the completion of the contract, and that the United States was attempting to maintain supremacy in this field by protecting the Westinghouse company from competition. Brazil contended that she needed the facilities to meet her growing electrical energy needs.

In a comment on this and other United States foreign policy initiatives, a leading West German newspaper wrote that President Carter

is increasingly investing his prestige into all these projects, requests, and near-orders, without keeping diplomatic escape routes open. . . . The whole world cannot set its clocks to Eastern standard time because a new strong-willed man is governing in Washington.<sup>3</sup>

<sup>3</sup>Frankfurter Allgemeine Zeitung, March 15, 1977.

In April, 1977, the United States and West Germany agreed that a future non-proliferation policy must include more nations within a framework of multilateral consultations and that an international solution is required to supply necessary nuclear energy to countries in need of it. But in the same month, the West German Cabinet approved a four-year program of domestic energy research, focusing partly on plutonium-based reactors, strenuously opposed not only by Carter but by powerful West German environmentalist groups. As a result of these protests, the government decided to freeze committed funds until it could be assured of parliamentary support.

Domestic critics were especially worried about the safety and waste disposal plans of nuclear plants. Their legal actions produced two court rulings enjoining the construction of two plants. In one decision, the court ruled that construction could be resumed only if the government could demonstrate that no nuclear catastrophe would result from an explosion inside the plant or from a direct hit by a crashing airplane.

Minister-President Ernst Albrecht of Lower Saxony, in whose state there are suitable deep underground salt caverns for waste disposal, nevertheless prefers that the waste be shipped to the United States. That suggestion was followed by a suggestion to locate a national disposal center five kilometers from the East German border. The controversy is continuing. In the meantime, a government plan to expand the number of nuclear plants from 12 to 35 by 1985 has been shelved. The future of an expanded nuclear energy program remains uncertain.

Although the Schmidt government's main concern has centered on economic and nuclear energy problems at home and abroad, it has not neglected foreign policy developments in other parts of the world. In its relations with East Europe it attempted to expand the policy of cooperation initiated by Brandt. Accords on economic, industrial and technological cooperation have been signed, and tourism and sports exchanges have increased. West Germany participated actively in the Helsinki Conference on Security and Cooperation in Europe, especially because she wanted the accord to include provisions for a free flow of persons and ideas between East and West. These were reaffirmed at the 1977 preparatory Belgrade conference.

In its attempts to improve relations with third world countries, the Federal Republic has also been active in attempts to reform the North-South international economic order. But the task remains unfinished. ■

## CURRENT DOCUMENTS

*(Continued from page 177)*

and we are concerned about the security of our own deterrent capability. Our cruise missiles are aimed at compensating for the growing threat to our deterrent

represented by the buildup of strategic Soviet offensive weapons forces. If these threats can be controlled, and I believe they can, then we are prepared to limit our own strategic programs.

But if an agreement cannot be reached, there should be no doubt that the United States can and will do what it must to protect our security and to insure the adequacy of our strategic posture.

Our new proposals go beyond those that have been made before. In many areas we are in fact addressing for the first time the tough, complex core of longstanding problems. We are trying for the first time to reach agreements that will not be overturned by the next technological breakthrough. We are trying, in a word, for genuine accommodation.

But none of these proposals that I've outlined to you involves the sacrifice of security. All of them are meant to increase the security of both sides. Our view is that a SALT agreement which just reflects the lowest common denominator that can be agreed upon easily will only create an illusion of progress and, eventually, a backlash against the entire arms control process. Our view is that genuine progress in SALT will not merely stabilize competition in weapons but can also provide a basis for improvement in political relations as well.

When I say that these efforts are intended to relax tensions, I'm not speaking only of military security. I mean as well the concern among our own individual citizens—Soviet and American—that comes from the knowledge which all of you have that the leaders of our two countries have the capacity to destroy human society through misunderstandings or mistakes. If we can relax this tension by reducing the nuclear threat, not only will we make the world a safer place but we'll also free ourselves to concentrate on constructive action to give the world a better life.

We've made some progress toward our goals, but to be frank, we also hear some negative comments from the Soviet side about SALT and about our more general relations. If these comments are based on a misconception about our motives, then we will redouble our efforts to make our motives clear; but if the Soviets are merely making comments designed as propaganda to put pressure on us, let no one doubt that we will persevere.

What matters ultimately is whether we can create a relationship of cooperation that will be rooted in the national interests of both sides. We shape our own policies to accommodate a constantly changing world, and we hope the Soviets will do the same. Together we can give this change a positive direction.

Increased trade between the United States and the Soviet Union would help us both. The American-Soviet Joint Commercial Commission has resumed its meetings after a long interlude. I hope that conditions can be created that will make possible steps toward expanded trade.

In southern Africa we have pressed for Soviet and Cuban restraint. Throughout the nonaligned world, our goal is not to encourage dissension or to redivide the world into opposing ideological camps but to expand the realm of independent, economically self-reliant nations—and to oppose attempts at new kinds of subjugation.

Part of the Soviet Union leaders' current attitude may be due to their apparent—and incorrect—belief that our concern for human rights is aimed specifically at them or is an attack on their vital interests.

There are no hidden meanings in our commitment to human rights. We stand on what we have said on the subject of human rights. Our policy is exactly what it appears to be: the positive and sincere expression of our deepest beliefs as a people. It's addressed not to any particular people or area of the world but to all countries equally; yes, including our own country. And it's specifically not designed to heat up the arms race or bring back the cold war.

On the contrary, I believe that an atmosphere of peaceful cooperation is far more conducive to an increased respect for human rights than an atmosphere of belligerence or hatred or warlike confrontation. The experience of our own country this last century has proved this over and over again.

We have no illusions that the process will be quick or that change will come easily. But we are confident that if we do not abandon the struggle, the cause of personal freedom and human dignity will be enhanced in all nations of the world. We're going to do that.

I cannot forecast whether all our efforts will succeed. But there are things which give me hope, and in conclusion I would like to mention them very briefly.

Beyond all the disagreements between us—and beyond the cool calculations of mutual self-interest that our two countries bring to the negotiating table—is the invisible human reality that must bring us closer together. I mean the yearning for peace, real peace, that is in the very bones of us all.

I'm absolutely certain that the people of the Soviet Union, who have suffered so grievously in war, feel this yearning for peace. And in this they are at one with the people of the United States. It's up to all of us to help make that unspoken passion into something more than just a dream—and that responsibility falls more heavily on those like you, of course, but particularly like President Brezhnev and me, who hold in our hands the terrible power conferred on us by the modern engines of war.

Mr. Brezhnev said something very interesting recently, and I quote from his speech: "It is our belief, our firm belief," he said, "that realism in politics and the will for détente and progress will ultimately triumph and mankind will be able to step into the 21st century in conditions of peace stable as never before." I see no hidden meanings in that. I credit its sincerity. And I express the same hope and belief that Mr. Brezhnev expressed. With all the difficulties, all the conflicts, I believe that our planet must finally obey the biblical injunction to "follow after the things which make for peace."

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# THE MONTH IN REVIEW

*A CURRENT HISTORY chronology covering the most important events of September, 1977, to provide a day-by-day summary of world affairs.*

## INTERNATIONAL

### Arab League

Sept. 3—At an Arab League foreign ministers' meeting in Cairo, Saudi Arabian Foreign Minister Prince Saud al-Faisal calls for coordinated Arab action to block Israeli settlements on the West Bank of the Jordan River.

Sept. 4—The Arab League foreign ministers agree to ask the U.N. General Assembly to condemn Israel's policy of settling occupied Arab lands.

### Arms Control

(See also *U.S.S.R.; U.S., Foreign Policy*)

Sept. 28—For the 1st time in 2 weeks, U.S. and Soviet delegations meet in Geneva to discuss a new treaty to limit strategic arms; another session is scheduled for October 5. The current treaty expires October 3.

### Association of Southeast Asian Nations (ASEAN)

Sept. 8—At the start of a 3-day conference in Manila, U.S. Undersecretary of State Richard N. Cooper promises the ASEAN nations that the U.S. is "fully committed to the economic development" of friendly nations in Southeast Asia.

### International Monetary Fund (IMF)

Sept. 21—Managing director of the International Monetary Fund (IMF) H. Johannes Witteveen announces that he will not seek reelection to his post.

Sept. 26—At the annual meeting of the International Monetary Fund in Washington, D.C., U.S. President Jimmy Carter says that the U.S. will achieve a 6 percent growth rate this year; he urges all countries to improve the patterns of world trade balances.

### International Terrorism

Sept. 22—In Assen, the Netherlands, 7 South Moluccans who belong to the terrorist group that seized 106 schoolchildren and 4 teachers as hostages in May, 1977, are sentenced to prison terms of 6 to 9 years. Gangs of South Moluccans have been rioting in Assen during the course of the trial.

Sept. 28—A Japanese Airlines DC-8 is hijacked after takeoff from Bombay, India, to Dacca, Bangladesh, by members of the Japanese Red Army terrorist group; 156 people are on board.

Sept. 29—In Tokyo, the Japanese government agrees to the terrorists' demands; in exchange for the 156 hostages, the government will pay the hijackers \$6 million and will release 9 urban guerrillas currently held by Japanese authorities.

### Middle East

(See also *Israel; U.S., Foreign Policy*)

Sept. 6—Speaking in Tel Aviv, Israeli Prime Minister Menahem Begin says that, in response to American urging, Israel has prepared a draft peace treaty with Egypt containing very clear proposals that could be used as a model for pacts with other Arab countries.

Sept. 22—Egyptian Foreign Minister Ismail Fahmy says the Arab states are "ready for the first time to accept Israel as a Middle Eastern country to live in peace in this area." He urges the Israelis to "grab the hands extended by the Arab countries to have a permanent and just peace."

Sept. 26—In New York, Israeli Foreign Minister Moshe Dayan meets with U.S. Secretary of State Cyrus R. Vance to discuss Palestinian representation at the Geneva conference. On September 25, the Israeli Cabinet gave qualified acceptance to some form of Palestine Liberation Organization (PLO) representation at Geneva.

Sept. 28—In Washington, D.C., President Carter meets separately with Syrian Foreign Minister Abdel Halim Khaddam and chief of the Jordanian royal court Abdul Hamid Sharaf. Both these officials inform President Carter that their governments have accepted the U.S. plan to allow a pan-Arab delegation to attend the opening session of the upcoming Geneva conference on the Middle East.

Speaking before the U.N. General Assembly, Egyptian Foreign Minister Ismail Fahmy rejects any plan for reconvening a Middle East peace conference "unless the PLO participates with the rest of the parties on the same level."

### North Atlantic Treaty Organization (NATO)

Sept. 13—North Atlantic Treaty Organization forces start their annual Reforger (Restationing of Forces to Germany) maneuvers; the Soviet military attaché in Bonn, Major General Aleksandr Knyrkov, is an observer under the 1975 Helsinki accord that allows such observation.

## United Nations

(See also *Intl; Middle East; Rhodesia; South Africa*)

Sept. 8—In his annual message to U.N. members on the state of the world, Secretary General Kurt Waldheim notes that 1977 was a "year of growing anxiety for the international community."

Sept. 9—In Nairobi, the U.N. conference on desertification adopts a "plan of action" to counter the spread of deserts across the world and establishes a special U.N. account to collect contributions to provide funds for the plan.

Sept. 20—The opening session of the 32d General Assembly approves the admission of Vietnam to the U.N. Djibouti is also admitted. 149 nations now belong to the U.N.

## ARGENTINA

Sept. 15—In an attempt to reduce a budget deficit, Under Secretary for Economic Coordination Miguel Tobias Padilla announces a denationalization program; the government will divest itself of its interest in 370 state-owned companies and in 400 companies in which it has a minority interest.

## AUSTRALIA

Sept. 6—Attorney General Robert Ellicott resigns; he charges that the government of Prime Minister Malcolm Fraser is preventing a full-scale criminal investigation into the financial affairs of former Prime Minister Gough Whitlam and 3 former Cabinet officials.

## BOLIVIA

Sept. 10—In Washington, D.C., for the signing of the Panama Canal treaties, President Hugo Banzer meets with Chilean President Augusto Pinochet and Peruvian President Francisco Morales Bermudez. The 3 heads of state issue a communiqué announcing their willingness to discuss Bolivia's lack of access to the sea.

## BRAZIL

Sept. 26—In an address to the U.N. General Assembly, Foreign Minister Antonio F. Azeredo da Silveira says that no country has the right to judge another country's handling of human rights.

## BURMA

Sept. 3—Rangoon radio announces the arrest of 5 secessionists on charges of plotting to assassinate President Ne Win and his Cabinet and to form separate states in their areas.

## CAMBODIA

Sept. 28—According to the Chinese press agency, Hsinhua, Cambodian Prime Minister and Secretary General of the Cambodian Communist party Pol Pot

is greeted at Peking airport by Chinese Prime Minister Hua Kuo-feng and 1st Deputy Prime Minister Teng Hsiao-ping. The Hsinhua report is the 1st official mention of the existence of a Cambodian Communist party and of its leader.

## CANADA

(See also *U.S., Foreign Policy*)

Sept. 6—Finance Minister Donald S. Macdonald resigns; he cites family reasons for his resignation.

Sept. 9—Prime Minister Pierre Elliott Trudeau proposes a constitutional amendment to permit parents to choose English or French as the language of instruction in public schools except in Quebec, where French is the language of instruction.

Sept. 10—Premier René Lévesque of Quebec rejects the constitutional amendment proposed by Trudeau.

Sept. 16—Trudeau names Jean Chretien to replace Donald Macdonald as Finance Minister and appoints Marc Lalonde to the newly created post of Minister of State for Federal-Provincial Relations.

## CHILE

(See *Bolivia*)

## CHINA

Sept. 6—In Peking at a news conference with officials of the Associated Press, Deputy Prime Minister Teng Hsiao-ping says that the recent visit by U.S. Secretary of State Cyrus Vance led to a setback in the informal relations between the two countries that had been encouraged during the administration of President Gerald Ford.

Sept. 8—An article in the government newspaper, *Jenmin Jih Pao*, says that the late Defense Minister Lin Piao attempted to assassinate Chairman Mao Tse-tung in 1971 by means of warships, bombers and flamethrowers.

Sept. 9—In Tien An Men Square in Peking, government officials commemorate the 1st anniversary of the death of Chairman Mao Tse-tung and dedicate the mausoleum for Mao's remains.

Sept. 17—Hsinhua, the government press agency, reports that a nuclear test, the 22d Chinese nuclear test since 1964, has recently been carried out.

Sept. 25—Hsinhua reports that Wei Kuo-ching, a wartime associate of Mao Tse-tung's, has replaced Chang Chun-chiao as political commissar of the armed forces; Chang was purged as a member of the "Gang of Four."

## COLOMBIA

Sept. 13—The 4 largest labor unions call a general strike for midnight to protest the increasing rate of inflation; the unions represent about 3 million workers.

Sept. 16—Government troops arrest nearly 4,000

strikers during the 2-day demonstration in which 13 people were killed. The government lifts a 2-day curfew.

### CUBA

(See *U.S., Foreign Policy*)

### DJIBOUTI

(See *Intl, U.N.*)

### EGYPT

(See also *Intl, Middle East*)

Sept. 27—In Cairo, Egyptian and U.S. officials sign a series of agreements providing that in 1977 the U.S. will give Egypt \$223 million in nonmilitary aid; Egypt is to receive a total of \$910.1 million in loans and grants from the U.S.

### ETHIOPIA

Sept. 6—In Addis Ababa, the government reports that its troops defeated Somali soldiers in 3 days of fighting in the strategic towns of Diredawa, Jijiga, and Harar in the Ogaden region.

Sept. 7—The government officially ends diplomatic relations with Somalia; all Somali personnel are ordered out of the country within 48 hours.

Sept. 13—The government charges 5 Arab countries—Syria, Iraq, Saudi Arabia, Egypt and the Sudan—with interfering in the war with Somalia on the Somali side.

Sept. 15—In Addis Ababa, U.S. officials meet with government leaders; they are reportedly discussing resuming U.S. arms assistance.

Sept. 27—After 9 weeks of fighting, the Western Somali Liberation Front captures the strategically important town of Jijiga.

### FIJI

Sept. 25—At the end of 8-day nationwide parliamentary elections, the Alliance party of Prime Minister Sir Kamisese Mara wins a landslide victory; it wins 36 of the 52 seats in Parliament.

### FRANCE

(See also *U.S., Foreign Policy*)

Sept. 7—A government spokesman announces a proposed budget for 1978, with a deficit of \$2 billion.

The Socialist party votes to reject a Communist proposal to revamp their joint electoral platform.

Sept. 8—In Paris, Foreign Minister Louis de Guiringaud assures Pakistani Foreign Minister Agha Shahi that his government will sell Pakistan a nuclear fuel reprocessing plant.

Sept. 14—Talks among members of the left end when members of the Left Radical party denounce the demands made by the Communists.

### GERMANY, DEMOCRATIC REPUBLIC OF (East)

Sept. 22—90 political prisoners, critics of the regime, are released and exiled to West Germany, whose government pays approximately \$20,000 for each prisoner sent to West Germany. In a similar arrangement, 144 political prisoners were released in the last few weeks.

### GERMANY, FEDERAL REPUBLIC OF (West)

Sept. 5—In a televised broadcast, Chancellor Helmut Schmidt confirms the kidnapping of a leading industrialist, Hanns-Martin Schleyer, president of the West German Employers Association, and the killing of 4 of his bodyguards.

Sept. 6—The kidnappers are reportedly demanding the release from prison of 11 urban guerrillas in exchange for the release of Schleyer.

Sept. 12—The coalition government of Chancellor Schmidt proposes a budget aimed at stimulating the economy; the budget includes corporate and individual tax cuts of about \$5 billion.

### INDIA

Sept. 17—Nandini Satpathy, a close friend of former Prime Minister Indira Gandhi's and now a leading member of the Janata party, is arrested on charges of corruption during her term as chief minister of Orissa, when she belonged to the Congress party.

### IRAN

(See also *U.S., Foreign Policy*)

Sept. 13—In Paris, Princess Ashraf Pahlevi, the twin sister of Shah Mohammed Riza Pahlevi, escapes uninjured from an ambush attack by gunmen; her lady-in-waiting is killed.

### IRAQ

Sept. 5—Baghdad radio reports that the Revolutionary Command Council has been increased from 5 to 22 members.

### ISRAEL

(See also *Intl, Arab League, Middle East; Lebanon; U.S., Foreign Policy*)

Sept. 15—Foreign Minister Moshe Dayan leaves for Brussels, the 1st stop in a month-long trip; he is expected to go to Washington, D.C., to meet with U.S. President Jimmy Carter and U.S. Secretary of State Cyrus Vance.

Sept. 18—Dayan returns unexpectedly to Tel Aviv for a late-night meeting with Prime Minister Menahem Begin. No explanation is given for his sudden change in plans.

In Washington, D.C., Palestinian sympathizers

release 3 Central Intelligence Agency documents obtained through the Freedom of Information Act. They claim that the documents show that Foreign Minister Moshe Dayan ordered an Israeli attack on 3 U.S. navy research ships in the Mediterranean during the 1967 Arab-Israeli War. 34 American seamen were killed in the attack.

In Washington, D.C., an Israeli embassy spokesman denies Dayan deliberately ordered the attack.

Sept. 25—In a reversal of policy, the Cabinet approves a U.S. proposal for Palestinian representation at the upcoming Geneva conference on the Middle East. The Cabinet agrees to the presence of a pan-Arab delegation, including Palestinians, at the opening session of the conference, subject to several conditions.

Sept. 26—The Ministry of Defense announces a cease-fire along the Lebanese-Israeli border area embroiled in heavy fighting between Lebanese Christian forces and Palestinian guerrillas.

Sept. 28—Israeli soldiers prevent a group of ultranationalists from setting up 2 unauthorized settlements in the West Bank area; the settlers are permitted to stay in army camps already established in the area.

## ITALY

Sept. 18—After Communist party criticism of the August 15 escape of SS Colonel Herbert Kappler, a Nazi war criminal, from a Rome hospital, Prime Minister Giulio Andreotti removes Defense Minister Vito Lattanzio from his post; Lattanzio will remain in the Cabinet as Minister of Transport and Merchant Marine. Attilio Ruffini is appointed Defense Minister.

## JAPAN

(See also *U.S., Foreign Policy*).

Sept. 3—Chief Cabinet Secretary Susumu Sonoda announces action to stimulate the economy, including expenditures totaling \$7.5 billion.

The Bank of Japan reduces its discount rate from 5 percent to 4.25 percent, the lowest since 1946.

## KOREA, REPUBLIC OF (South)

(See also *U.S., Political Scandal*)

Sept. 10—The government releases a full transcript of the 36-count indictment by a U.S. federal district court in Washington, D.C., against Tongsun Park, the lobbyist accused of influence buying in Washington.

## LEBANON

Sept. 16—Wafa, the Palestine Liberation Organization (PLO) press agency, claims that today Israeli jets attacked the PLO-held area of Khiam, 2 miles from the Israeli border in southern Lebanon.

Sept. 20—Israeli mobile units reportedly cross the border in support of right-wing Christian forces as they attempt to take the Palestinian-held town of Khiam.

Sept. 26—After 10 days of heavy fighting, Israeli-supported Christian forces and Palestinian forces agree to a cease-fire in southern Lebanon.

## MALAYSIA

(See *U.S., Foreign Policy*)

## MOZAMBIQUE

Sept. 25—Elections are held for village assemblies throughout the country; these are the 1st elections held since independence from Portugal 2 years ago.

## NAMIBIA

(See *South Africa; U.S., Foreign Policy*)

## NEPAL

Sept. 12—At the suggestion of the National Assembly, King Birendra asks former Prime Minister Kirtinidhi Bista to replace Tulsi Giri as Prime Minister. Giri resigned September 9.

## NORWAY

Sept. 12—Nationwide parliamentary elections are held.

Sept. 14—Final election returns give the Labor party of Prime Minister Odvar Nordli a 1-vote majority; Labor wins 78 seats and the opposition party, a coalition of the Conservative party, the Christian People's party and the Center party, wins 77 seats in the 155-seat Assembly.

## PAKISTAN

(See also *France*)

Sept. 3—Former Prime Minister Zulfikar Ali Bhutto is arrested and charged with conspiring to murder a political opponent, Ahmed Raza Kasuri, in 1974.

Sept. 5—Federal investigators accuse Bhutto of ordering the death of another political opponent, Nazir Ahmed, in 1972.

Sept. 13—Bhutto is released on bail.

Sept. 17—The military government of General Mohammad Zia ul-Haq orders the rearrest of Bhutto and 4 of his Cabinet members.

Sept. 20—The Supreme Court agrees to hear an appeal for the release of Bhutto.

Sept. 22—General Zia orders the dismissal of Chief Justice Yakub Ali Khan following his decision to hear a petition for the release of Bhutto.

Sept. 29—The military government arrests Bhutto's daughter, Benazir Bhutto, and warns his wife, Nusrat Bhutto, to stop inciting violence.

## PANAMA

(See *U.S., Foreign Policy*)

## PERU

(See *Bolivia*)

## PORTUGAL

Sept. 17—The Portuguese Council of the Revolution rules that land expropriated by workers during the 1975 pro-Communist administration may be reclaimed by the former owners.

## RHODESIA

Sept. 1—In Salisbury, British Foreign Secretary David Owen and chief U.S. delegate to the U.N. Andrew Young present a proposal for the transfer of power to the black majority to Prime Minister Ian Smith. The proposal calls for the resignation of the Smith government, followed by a one-man, one-vote parliamentary election for the 100-member Assembly before 1979.

Sept. 14—In a joint statement, Patriotic Front leaders Joshua Nkomo and Robert Mugabe reject 4 key sections of the U.S.-U.K. peace proposal. They propose a transitional government that would be made up of Patriotic Front members.

Sept. 25—Chief of staff of the Zimbabwe African People's Union Alfred Nikita says that black nationalists will not stop waging guerrilla warfare in Rhodesia if a British resident commissioner is appointed to head the interim government.

Sept. 28—In Salisbury, a government official announces that representatives from the U.K. and the U.N. have been invited to Salisbury to discuss the recent U.K.-U.S. proposals for the transfer of political power to the black majority.

## SOMALIA

(See *Ethiopia; U.S., Foreign Policy*)

## SOUTH AFRICA

(See also *U.S., Foreign Policy*)

Sept. 1—In the United Nations, Secretary General Kurt Waldheim criticizes South Africa's August 31 decision to take control of Namibia's only deep-water Atlantic port, Walvis Bay. The port will be incorporated in the administration of Cape Province, which is nearly 400 miles from the port.

Sept. 12—Steven Biko, a young black leader, dies in a Port Elizabeth prison during a hunger strike. He was imprisoned August 18.

Sept. 15—At the University of Fort Hare, police arrest more than 1,200 students who are commemorating the death of Steven Biko.

Sept. 16—In a press conference in Pretoria, Prime Minister John Vorster warns the U.S. not to interfere in South African internal affairs and says South Africa is preparing to counter any economic measures imposed by the U.S. as a result of South Africa's policy toward Rhodesia.

Sept. 20—Vorster dissolves Parliament and provincial councils; he sets November 30 for general elections.

Sept. 25—A black policeman is stoned to death as mourners return from funeral services for Steven Biko.

## SPAIN

Sept. 28—Minister for Parliamentary Relations Ignacio Camunas resigns his Cabinet post in a dispute with the Prime Minister over party discipline.

Sept. 29—Minister for Regional Affairs Manuel Olavero Arévalo announces that the traditional self-government institution of *generalitat*, suppressed since 1939, has been restored to the Catalonia region.

## THAILAND

Sept. 22—In Bangkok, King Phumiphol Aduldet and Queen Sirikit narrowly escape injury when a bomb explodes near a podium from which the King was speaking.

## TURKEY

Sept. 8—The government drastically raises the prices of basic industrial commodities produced by state economic enterprises: the price of gasoline is almost doubled; the price of fuel for heating is raised 42 percent; and cement prices are raised almost 70 percent.

## UGANDA

Sept. 9—In Kampala, Uganda radio announces the execution by firing squad of 15 men, 12 of whom were convicted of plotting to overthrow President Idi Amin.

Sept. 20—Uganda radio reports that 27 religious organizations have been banned from operating in Uganda because they are security risks.

## U.S.S.R.

(See also *Intl, U.N.; China; U.S., Agriculture, Foreign Policy*)

Sept. 23—In Washington, D.C., Foreign Minister Andrei A. Gromyko meets with U.S. Secretary of State Cyrus R. Vance.

Sept. 25—In Moscow, the official press reports that the U.S.S.R. agrees to abide by the 1972 strategic arms limitation treaty even though the treaty expires on October 3.

Sept. 29—Tass reports that Salyut 6, a space station, has been launched into orbit.

Sept. 30—The presidium of the Soviet legislature, the Supreme Soviet, approves the final draft of the new Soviet constitution.

## UNITED KINGDOM Great Britain

(See also *Rhodesia*)

Sept. 7—A majority of delegates to the Trades Union Congress vote to abide by the Labour government's anti-inflation program that calls for one pay increase a year limited to 10 percent and a return to free collective bargaining.

Sept. 13—Conservative party leader Margaret Thatcher confers with U.S. President Jimmy Carter in Washington, D.C.

Sept. 28—The Liberal party votes to support the Labour government on any vote of confidence; it may or may not approve specific legislation.

## UNITED STATES Administration

Sept. 2—A Central Intelligence Agency spokesman reports that the agency has found 10,000 documents describing secret research on controlling human behavior in the period from 1943 to the mid-1950's; the secret projects went under the names "Bluebird" and "Artichoke."

Sept. 7—President Jimmy Carter selects psychologist Caroline Payton as the first woman head of the Peace Corps.

Sept. 8—The Environmental Protection Agency, the Food and Drug Administration and the Occupational Health and Safety Administration of the Department of Labor announce restrictions on the use of the pesticide dibromochloropropane (DBCP), which may produce sterility in workers producing it or cancer in people exposed to it.

Sept. 13—Secretary of Health, Education and Welfare Joseph Califano, Jr., announces that because of rising hospital costs Medicare patients will have to pay a greater share of their hospital bills in 1978.

Sept. 14—The General Accounting Office issues a report stating that for the last 6 years the Environmental Protection Agency has failed to establish and enforce any radiation hazard controls.

Sept. 21—Director of the Office of Management and Budget Bert Lance resigns; at a nationally televised news conference at the White House, President Carter accepts the resignation with "regret and sorrow." (See also *Legislation*.)

Sept. 22—Deputy director of the Office of Management and Budget James McIntyre, Jr., automatically becomes acting director.

Sept. 26—HEW Secretary Califano issues proposed standards for the nation's hospitals that would eliminate 100,000 unneeded hospital beds by 1984.

Sept. 28—The Commission on Federal Paperwork concludes its work and issues a 77-page report which says that Congress and poorly written legislation are to blame for the excessive government red tape.

Sept. 29—The U.S. Circuit Court of Appeals for the Second Circuit upholds a lower court decision to lift the 18-month ban on flights of the supersonic Concorde jet plane into Kennedy International Airport.

## Agriculture

(See also *Legislation*)

Sept. 19—The Agriculture Department reports that under a 5-year purchase agreement the U.S.S.R. has purchased more than 1 million metric tons of U.S. wheat from the current crop.

## Civil Rights

Sept. 9—The National Women's Political Caucus opens a 3-day convention in San Jose, California; more than 1,000 women pledge to work to increase women's political power.

Sept. 19—In a brief filed with the Supreme Court today, the Justice Department supports minority admissions to universities but avoids approving specific racial quotas. The Supreme Court is to consider a California case involving a white man, Allan Bakke, who was denied admission to medical school at the University of California, Davis, in accordance with a plan in which less qualified minority students were admitted to 16 places reserved for minorities out of the 100 available places. The California Supreme Court has ruled that Bakke was unconstitutionally denied admission. The Justice Department brief also asks the Supreme Court to return the case to the California court for further consideration and to reject Bakke's claim to admission.

## Economy

(See also *Agriculture*)

Sept. 1—The Labor Department reports a rise of 0.1 percent in the wholesale price index for August.

Sept. 2—The Labor Department reports that the unemployment rate rose to 7.1 percent in August, up 0.2 percent from July.

Sept. 16—The Federal Reserve Board reports that total U.S. industrial production dropped 0.5 percent in August; industrial production was 138.2 percent of the 1967 average.

Following the lead of New York's Chase Manhattan Bank, which raised its prime interest rate to 7.25 percent on September 13, 16 of the nation's 20 largest commercial banks raise their prime rate to that figure.

Sept. 21—The Bureau of Labor Statistics reports that the consumer price index rose by only 0.3 percent in August.

Sept. 26—The Commerce Department reports that the nation's trade deficit for August was \$2.7 billion, the 2d largest ever recorded.

Sept. 29—The Commerce Department reports that the composite of leading economic indicators rose 0.8 percent in August.

## Foreign Policy

(See also *Intl., Middle East; Rhodesia*)

Sept. 1—State Department spokesman Hodding Carter 3d says that in view of the fighting between Somali and Ethiopian troops in Ethiopia's Ogaden area, the U.S. will not provide the military assistance it promised to Somalia on July 26.

The United States and Cuba open "interest sections" in each other's capitals, partially restoring diplomatic relations, which were broken off more than 16 years ago.

The U.S. and Japan reach agreement on plans to allow Japan to open her newly built Tokai Mura nuclear fuel reprocessing plant on a 2-year experimental basis; the agreement will be signed later this month. As part of its policy to curb the spread of nuclear weapons, the U.S. was originally opposed to the reprocessing plant, for which it supplies the enriched uranium.

Sept. 2—The State Department issues a statement criticizing South Africa for her takeover of the port of Walvis Bay, the only deep-water port in Namibia (South-West Africa), while negotiations for the transfer of power from South Africa to Namibia are continuing.

The State Department announces that U.S. representatives will go to Hanoi September 30 to receive the bodies of 22 servicemen killed in the Vietnam War.

Sept. 6—The Panamanian Chief of Government, Brigadier General Omar Torrijos Herrera, arrives in Washington, D.C., for the signing of the Panama Canal treaties; negotiators for the U.S. and Panama formally initialed the treaties today.

Sept. 7—Before representatives of 23 other member nations of the Organization of American States in Washington, D.C., President Jimmy Carter and Panama's Brigadier General Omar Torrijos Herrera sign the Panama Canal treaties that will transfer control of the canal to Panama by the year 2000; there is 1 treaty on the canal and 1 on the permanent neutrality and operation of the canal; a protocol to the treaty on the permanent neutrality and operation of the canal may be signed by "all states of the world."

The White House press office reveals that former chief U.S. delegate to the U.N. Arthur Goldberg will be nominated as an ambassador-at-large and the chairman of the U.S. delegation to the East-West Conference (Belgrade Conference) to be held in Belgrade in October, 1977.

President Carter asks Congress to allow the sale of 7 advanced radar planes costing \$1.2 billion to Iran; under congressional pressure the President withdrew plans for the sale in July. Under the proposed plan, the planes would not be equipped with certain sensitive equipment.

At a Denver, Colorado, news conference, former President Gerald Ford says that he told Chinese

leaders in 1975 that it was only a "possibility" that the U.S. might break relations with Taiwan.

Sept. 8—President Carter and Canadian Prime Minister Pierre Elliott Trudeau announce agreement in Washington, D.C., on a \$10-billion, 2,700-mile pipeline to carry Alaskan natural gas across Canada to the U.S.; some details remain to be worked out before the agreement can be signed.

Sept. 9—The State Department announces that 4 Soviet trade union representatives will visit this country; the AFL-CIO has always prevented such a visit in the past.

Sept. 11—The third-ranking Agency for International Development (AID) official, assistant administrator Frederick Van Dyk, resigns over a disagreement with the agency's administrator, John Gilligan.

Sept. 15—French Prime Minister Raymond Barre arrives in Washington, D.C., for talks with President Jimmy Carter; he asks permission for the Anglo-French supersonic Concorde to land at New York's Kennedy International Airport.

Sept. 18—Israeli Foreign Minister Moshe Dayan arrives in Washington, D.C., for talks with President Jimmy Carter about the Middle East.

Sept. 19—At the end of 3 hours of talks with Israeli Foreign Minister Dayan at the White House, President Jimmy Carter issues a statement asking Israel and the Arab states to show "courageous leadership" and willingness to compromise to achieve a lasting settlement in the Middle East.

The President reportedly urges Dayan to consider U.S. proposals for a pan-Arab delegation at the Geneva peace talks, which could include Palestinians, possibly some PLO members, who agree to U.N. Security Council Resolution 242 that recognizes Israel's right to exist.

Sept. 23—Soviet Foreign Minister Andrei Gromyko confers with President Carter at the White House; speaking to reporters after the conference, Gromyko says that both countries "expressed their readiness and willingness" to continue to negotiate new arms limitation agreements.

Transportation Secretary Brock Adams proposes a U.S. plan under which the current fleet of 16 supersonic Concorde airliners would be allowed to land in 13 American cities, including New York, unless barred by "reasonable nondiscriminatory noise rules."

National security adviser to President Carter Zbigniew Brzezinski announces that the President will leave November 22 for an 11-day trip to 8 countries and 4 continents; the President will stop in Venezuela, Brazil, India, Iran, France, Poland, Belgium and Nigeria.

In a letter to the Senate Foreign Relations Committee, Secretary of State Cyrus Vance says that the U.S. will continue to observe the 1972 agreement

limiting strategic arms as long as the U.S.S.R. also adheres to the accord after it expires on October 3; Vance tells newsmen that he does not believe that the statement requires congressional approval.

Sept. 24—In Washington, D.C., President Carter says that director of the Arms Control and Disarmament Agency Paul Warnke will go to Geneva next week in an "effort to resolve the remaining issues" on the limitations to be imposed on strategic arms; after 2 days of talks between Soviet Foreign Minister Gromyko and U.S. officials, the State Department announces that a new strategic arms limitations pact could be achieved "within the near future."

Sept. 27—At the White House, Malaysian Prime Minister Hussein bin Onn confers with President Carter; Carter agrees to give Malaysia slightly enriched uranium for an experimental nuclear reactor for peaceful purposes.

In an unexpected session in Washington, D.C., President Carter meets with Soviet Foreign Minister Andrei Gromyko. Gromyko later says that the 2 countries have made progress toward a nuclear arms limitation treaty.

Sept. 29—At a televised press conference in Washington, D.C., President Carter says that Middle East peace is "impossible without adequate Palestinian representation" at a reconvened Geneva peace conference.

Sept. 30—After meeting with Soviet Foreign Minister Andrei Gromyko in New York, Secretary of State Cyrus Vance says that the U.S. and the U.S.S.R. will pledge their "utmost effort" to enable a new Geneva Middle East peace conference to begin before the end of 1977.

## Legislation

(See also *Administration*)

Sept. 6—The Senate Governmental Affairs Committee votes to open a full-scale investigation with subpoena power into the financial affairs of director of the Office of Management and Budget Bert Lance; Abraham Ribicoff (D., Ct.) is chairman of the committee.

Sept. 8—Testifying before the Senate Governmental Affairs Committee, Comptroller of the Currency John Heimann says that overdrafts by Lance at the Calhoun First National Bank in Georgia, which he controlled, were an abuse of his influential position.

Sept. 15—The House votes 215 to 187 and the Senate approves by a voice vote a \$458.3 billion budget for fiscal 1978 that includes a \$61.3 billion deficit.

Bert Lance appears before the Senate Governmental Affairs Committee and reads a 49-page statement defending himself against allegations of financial misconduct.

Sept. 17—Bert Lance concludes 3 days of testimony before a Senate investigative panel.

Sept. 29—President Jimmy Carter signs a compromise \$11 billion agricultural aid bill that will provide more than \$4 billion in subsidies and price support loans in the next year; the House passed the bill by a 283-107 vote on September 16 and the Senate voted 63 to 8 to pass the compromise measure earlier.

## Military

Sept. 6—Pentagon officials say that the Air Force is urging Defense Secretary Harold Brown to restore production of the FB-111 fighter and to convert it to a long-range nuclear bomber.

Sept. 13—Pentagon officials announce that Defense Secretary Brown has ordered a \$666 million reduction in Marine Corps and Navy requests for the development of vertical takeoff jet planes.

Sept. 23—The Air Force announces that women will be assigned to underground missile silos under the same conditions as men in missile launch crews.

## Political Scandal

Sept. 3—In a 5th and final taped television interview with David Frost broadcast today, former President Richard Nixon says he thought he had asked White House chief of staff H. R. Haldeman to destroy most of the White House tapes, which dealt with the Watergate break-in cover-ups.

Sept. 6—In an indictment dated August 23 and unsealed today, a federal district court charges South Korean businessman and influence-buyer Tongsun Park with 36 felonies.

Sept. 7—G. Gordon Liddy, one of the original 7 Watergate burglars, is freed from federal prison after serving almost 4 1/2 years.

Sept. 27—In Washington, D.C., a federal grand jury indicts naturalized U.S. citizen Hancho C. Kim on 2 felony charges growing out of alleged Korean government influence-buying in the U.S.

## Supreme Court

(See *Civil Rights*)

## Terrorism

Sept. 6—The 12 Hanafi Muslims who seized 3 buildings and 134 hostages and held them for 3 days in March, 1977, in Washington, D.C., are given lengthy prison terms in Washington, D.C., Superior Court today; 1 person was killed in the Hanafi takeover.

Sept. 7—Anti-Castro commandos claim responsibility for 2 bomb blasts in Washington, D.C., this morning.

## VIETNAM

Sept. 20—Vietnam is admitted to the U.N.

Sept. 21—In an address to the General Assembly of the U.N., Deputy Prime Minister Nguyen Duy Trinh states that his country is prepared to continue to try to normalize relations with the U.S. ■

# Western Europe

MILES  
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